

Table No. (8)
The New Dwelling Units
Needs of cement
(Million Tons /year)

Year	cement
2005	10.4
2006	10.4
2007	10.4
2008	11.1
2009	11.1
2010	11.1

Table No. (9)
All Buildings Demand
(Million Tons /year)

Year	Dwelling units needs	Other Building Needs	All Buildings Needs
2005	10.4	10.4	20.8
2006	10.4	10.4	20.8
2007	10.4	10.4	20.8
2008	11.1	11.1	22.2
2009	11.1	11.1	22.2
2010	11.1	11.1	22.2

Note: Rounded Figures.

Table No. (9) indicates that the total Iraq's buildings market size of cement in year 2005 would be (20.8) million tons of cement.

Aggregate Demand of the Country's All Sectors

Table No. (9) shows the forecasted demand for cement for buildings only. But it is worth to mention that there are many other sources of demand besides buildings demand. Among these are irrigation projects such as dams and channels, roads , airport runways, highways , bridges ... etc, assuming an annual quantity for these sources of demand equivalent to (50) percent of the quantity shown on table No. (9), will bring the forecasted total annual demand of the country of all sectors to the quantities which are show on table No.(10).

Table No. (10)

Forecasted Total Annual Demand for Cement of All sectors

Year	Million Tons
2004	31.2
2005	31.2
2006	31.2
2007	31.2
2008	33.3
2009	33.3
2010	33.3

Source : Forecasts.

It seems that the forecasted annual per capita consumption of cement in Iraq would be in the range of 1050-1139 kilograms as in table No. (1). This per capita consumption would be less than that of Saudi Arabia, Qatar, UAE, Kuwait, Singapore. which are show on table No. (12). The average in Saudi Arabia is (2039) kg., in Qatar (1800) kg., in Singapore (2141)kg., in Oman (1119)Kg.

Table No. (11)
Forecasted Annual Per capita Consumption of
Cement in Iraq (2005-2010)

Year	Total Quantity (Million Tons)	Population (Million)	Per capita consumption (Kilogram)
2005	31.2	27.4	1139
2006	31.2	28.2	1106
2007	31.2	29.0	1076
2008	33.3	29.9	1114
2009	33.3	30.8	1081
2010	33.3	31.7	1050

Source: Fikieki Bureau Forecasting.

Table No. (12)
The Average Annual Per capita Consumption
of Cement Per country

Country	Kilogram	Country	Kilogram
Poland	408	Lebanon	623
Australia	340	Malaysia	314
Austria	642	Syria	405
Belgium	352	Saudi Arabia	2039
Canada	238	Tunisia	405
Denmark	278	Kuwait	1684
Finland	360	Qatar	1800
France	377	Singapore	2141
Germany	449		
Italy	666		
Japan	550		
Holland	377		
Spain	411		
Britain	244		
U.S.A	328		
Egypt	273		
Hong Kong	838		
Oman	1119		
Libya	1000		
U.A.E	2186		
Jordan	541		

Source: UNIDO; Handbook of Industrial Statistics.

PART -III-
-Supply-

-Supply-

There are two source for supply of cement to the Iraqi market, namely the local cement plants production and the import. The local cement production is supplied by (18) governmental plants spreading all over Iraq. table No. (13) shows these plants and their location and production capacities. The total planned annual production capacities of these plants is around (21.1) million metric tons. But the accessible annual capacity is around (17.9) million metric tons. But, Due to the present electric power breakdowns and some other production interruptions and obstacles, the actual production quantity is far less than the mentioned quantity. So, it is estimated that the present actual cement production quantity is around (35) percent of the pre mentioned capacity of (17.9) million tons. The actual production might be around (6.3) million tons per year. This production situation urges the country to depend more and more or imports in order to satisfy its augmenting needs for cement. That is the country is launching a wide and an ambitious contraction and reconstruction Program. That is within its pace to reconstruct what has been devastated, of its infrastructure, by the wars of the past regime, besides satisfying its renewable building and constriction requirements. The steadily increasing oil exporting revenues and the donations of the donors are helping the country to implement its ambitious constriction and reconstruction programmers, then enhancing its augmenting demand for cement.

Cement local Supply Deficit:

In comparison between the preset Iraqi cement plants accessible production capacity which is (17.9) million tons/year, with the forecasted local demand of (31.2) million tons/year 2005; The forecasted local supply deficit would be around (13.3) million ton. So the expected supply deficit will be around (13.3) million tons in 2005, and around (15.4) million in 2010.

The chart depicts such deficiency in supply against demand.

Table No. (13)
Cement Production Plants in Iraq

No.	Plant	Location	Accessible Production Capacity (000 Tons)	Present Capacity Utilization %
1	Fallouja	Anbar	600	Out of order
2	Fallouja	Anbar	280 (white cement)	40%
3	Kubaisa	Anbar	2000	40%
4	Al-Kaim	Anbar	1000	50%
5	Kofa (1)	Najaf	200	60%
6	Kofa (2)	Najaf	1800	60%
7	Sadda	Babilon	220	40%
8	Kerbala	Kerbala	2000	40%
9	Badosh (1)	Ninwa	240	Out of order
10	Badosh (2)	Ninwa	1850	40%
11	Badosh (3)	Ninwa	1000	50%
12	Hamam Alil (1)	Ninwa	200	40%
13	Hamam Alil (2)	Ninwa	450	60%
14	Sinjar	Ninwa	2000	40%
15	Kirkok	Kirkok	2000	40%
16	Taslouja	Sulaimania	2000	40%
17	Samawa	Muthana	900	Out of order
18	Al-Janoob	Muthana	450	70%
19	Muthanna	Muthana	2000	40%
	Total		21190	

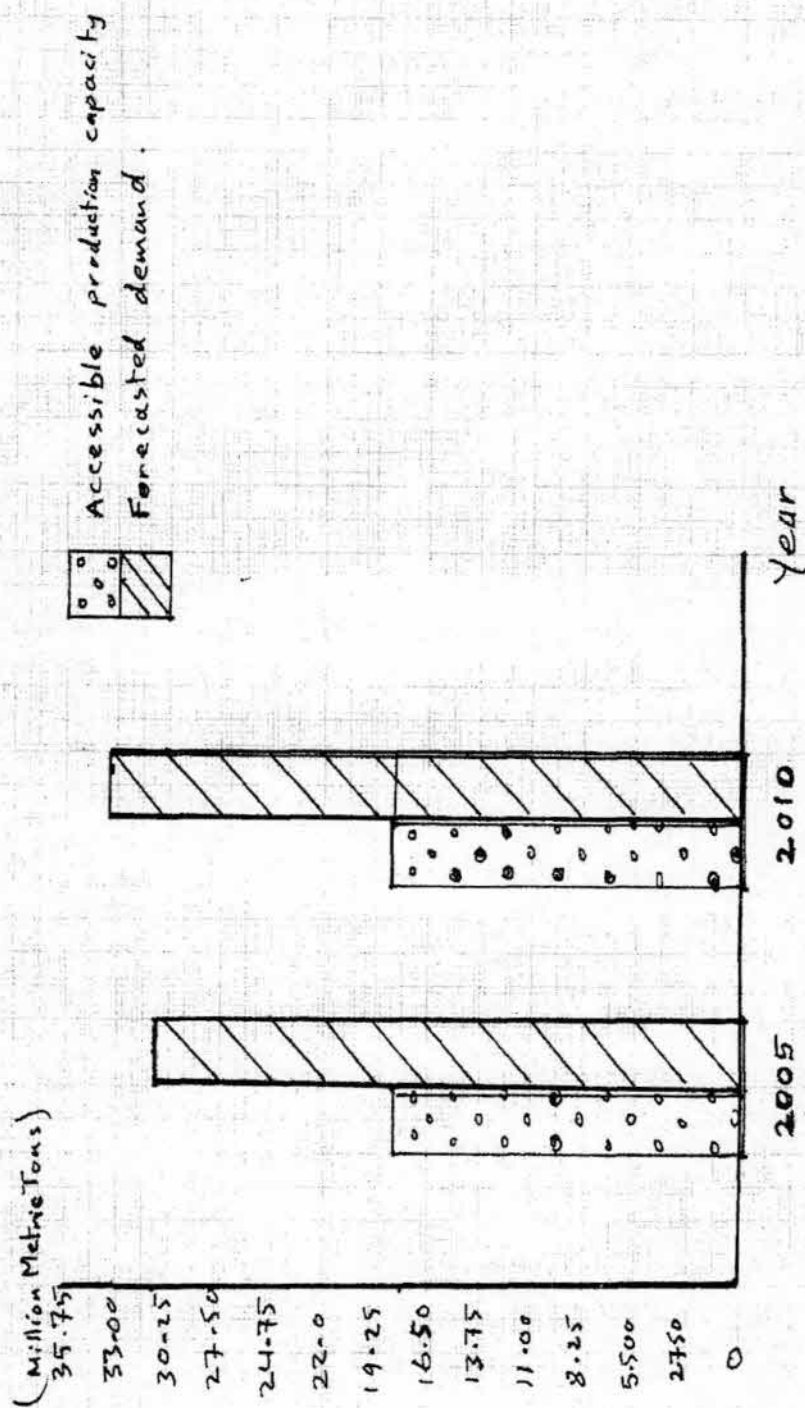
Source: Ministry of Industry and Minerals.

Table No. (14)
Geographical Distribution of cement plants

Governorate	No. of plants	Accessible production capacity (thousand tons)	Percent	Rank
Anbar	3	3880	18.3	1
Najaf	2	2000	9.4	4
Babil	1	220	1.0	5
Kerbala	1	2000	9.4	4
Ninwa	6	5740	27.1	2
Kirkok	1	2000	9.4	4
Sulaimmia	1	2000	9.4	4
Muthana	5	3350	15.8	3
Total	20	21190	100	

Source: I bid

Cement Production and Demand (IRAQ)



Source: Fikieki Bureau.

Prices:

1-Iraqi Cement: (ex Factory Price)

Type	Price per ton U.S \$	Packing
Normal port land (subsidized)	57	In paper sack
Normal port land (not subsidized)	67	In paper sack
Normal port land (subsidized)	54	Not sacked
Salts resisting cement (subsidized)	67	Sacked
Salts resisting cement (not subsidized)	77	Sacked
White cement (subsidized)	60	Sacked
White cement (not subsidized)	77	Sacked

2-Imported cement:

- International (F.O.B) Price: U.S.\$ (40).
- Egyptian cement Baghdad Price \$ (80).
- Egyptian cement C. &F Um Qassr - Iraq \$ (68).
- Lebanese cement Baghdad Price \$ (85-90).

Part - IV-

-The Technical Study-

- The plant; equipment and cost.**
- The raw materials and cost.**
- Manpower requirements.**
- Utilities.**
- The site.**
- Civil engineering.**

COMPLETE CEMENT PLANT - 50 Hz

Capacity 1,200 t/day

Originally built in 1970, this plant has been modernized continuously and main components have been renewed in 2000 / 2001 and 2003. The plant **is** in excellent condition and still in full operation. It is sufficiently automated to operate with a small team. The planned shut down was unexpected and decided only for economical reasons in the cement industry in Western Europe.

Capacity:

Plant is designed for production of 1,200 tons clinker per day

Raw materials:

- limestone 83 %
- clay 11%
- sand 3 %
- plaster 0,5 %
- paper ash, limestone flour, sand, these 3 components are 3,5 %
-

Main equipment

The plant consists mainly of the following equipment:

Material preparation and storage

- storage for clay, capacity 3.000
- tons breaker 1 corn size 0 -150 m
- breaker 2 corn size 0 - 50 mm
- in-process stock 3 silos each 250 ton capacity
- drying drum 2.600 mm Ø x 18.000 mm length

storage for limestone

- limestone with conveyor belt approx. 1,2 km
- storage capacity 12.000 tons
- in-process silo 1 x 60 tons

Mixing of material

- conveyor system for collecting the compounds

Raw material mill / homogenization

2- chamber-ball-mill

- length 12,5 m x 3,6m
- chamber 1 coarse mill chamber / drying
- chamber 2 fine mill chamber
- mill balls chamber 1 / 53 tons Ø 60 - 90 mm
- mill balls chamber 2 / 50 tons Ø 20 - 50 mm
- separation finish product / coarse product via separator
- capacity approx. 100 tons/h / 4 trucks
- homogenization system via air injection
- capacity approx. 2 h

Granulation / pre-heating

Granulating disk for ball forming

Pre-heater / Lepol- grate- type

- length 29 m, width 4 m, circle approx. 45 min.

- heat through waste heat from the rotary kiln
- 2 chamber-traveling grate
- 1st chamber drying with 400°C
- 2nd chamber pre-burning with 950 -1.000°C

Rotary kiln

- Rotary kiln for chemical transformation to clinker material
- length: 60 m / 0 4 m / incline: 3,5 %
- burning temperature approx. 1.450°C
- flame temperature approx. 2.000°C
- burning material carbon approx. 80 % / 5.000 kg/h

Clinker cooler

- Cooler, width 2,2m/ length 18,6 m
- cooling from approx. 1,450°C to 100°C
- cooling air amount approx. 200.000 m³/h

Clinker storage

- storage capacity 3 x 9.000 tons
- according to delivery approx. 1 month

Cement milling

2- chamber ball mill

- length 13,5m x 4m
- chamber 1 / coarse mill chamber
- chamber 2 / fine mill chamber
- mill balls chamber 1 / 65 tons 0 60 - 90 mm
- mill balls chamber 2 / 122 tons 0 20 - 60 mm
- separation finish product / coarse product via separator
- motor capacity 2 x 1.400 kW

Availability:

Available immediately after shut down at 04/2004
Plant can be inspected in operation under full load
up to this date.

Location :

Europe

PRICE as is/where is EUR 7885000 equiv. US\$ 9735000

An additional amount of US.\$ (0.5) million should be considered for dismantling the plant, and another amount of \$ (0.8) million for transportation from its present location to the site where to be erected in Iraq. An addition amount \$ (0.8) million for installation, then the total cost of the equipment installed would be as follows:

Item	US.\$ (000)
Initial cost	9735
Dismantling cost	500
Transportation cost	800
Installation cost	800
Cost of plant installed	11835

Raw Materials:

- Limestone 83%
- Clay 11%
- Sand 3%
- Plaster 0.5%
- Paper ash, limestone flour, sand, these three components are 3.5%

Foreign Language

Specification of clay for cement manufacturing:

$$1 - \frac{SiO_2}{Al_2O_3 + Fe_2O_3} = 2.0 - 3.0$$

$$2 - \frac{Al_2O_3}{Fe_2O_3} = 1.6 - 2.4$$

3- SO_3 Less than 3.0%

4-Mgo Less than 7.0%

5-Cl loss than 5.0%

6-Al-Kallie ($K_2O + Na_2O$) Less than 2.0%

Foreign Language

Specifications of limestone for cement manufacturing:

A-Portland cement:

MgO	≤	2%
CaO	≥	45%
So3	≤	1%
Cl		0.5 - 1%
K ₂ O		0.05%
Na ₂ O		

B-White Cement:

Same as for Portland cement, but Fe_2O_3 Should not exceed 0.1%.

-Al-Anbar Available Limestone Chemical Properties

Foreign Language

A- Properties:

Foreign Language						
54.76	54.35	54.16	53.62	53.52	52/91	CaO
0.19	0.19	0.19	0.16	0.17	0.18	MgO
1.17	1.56	1.83	2.62	3.2	3.60	I.R.
0.10	0.13	0.11	0.11	0.18	0.11	Al ₂ O ₃
0.07	0.07	0.087	0.23	0.23	0.22	F ₂ O ₃
0.25	0.34	0.43	0.31	0.78	0.55	So ₃
0.05	0.04	0.04	0.02	0.03	0.02	Cl
0.02	0.02	0.02	0.02	0.03	0.02	K ₂ O
0.09	0.05	0.04	0.10	0.07	0.09	Na ₂ O
42.84	42.54	42.49	41.99	41.56	41.4	L.D.I

B-Quantities:

Estimated total reserves : more than (3.0) billion tons,
spread all over Anbar areas.

Raw Materials Requirements:

Table No. (15)

**Raw materials annual requirements and their cost
delivered to the plant**

Material	Quantity	Price US.\$	Value US.\$ (000)
Limestone	405000 Tons	5.0	2025
Clay	140000 Tons	3.0	420
Gypsum	10000 Tons	6.7	67
Fire Bricks	300 Tons	650	195
Milling materials	60 Tons	800	30
Paper bags (50kg)	6000000 bags	0.15	900
Other inputs			50
Total			2687

Manpower:

A-Indirect manpower:

Table No. (16)
-Values in US (\$)-

Job.	Number	Monthly salary	Total monthly salary	Annual salary
Director General	1	750	750	9000
Administrators	6	250	1500	18000
Accountants	4	300	1200	14400
Drivers	5	250	1250	15000
Services	4	150	600	7200
Guards	4	150	600	7200
Total	24		5900	70800

Services and social insurance allowances to be added to the total annual salaries, by 30% the total cost becomes \$ (92000) (approx.)

B-Direct Manpower:

Table No. (17)
(US.\$)

Job.	Number	Monthly wage	Total monthly wage	Annual wages
Chief Engineer	4	600	2400	28800
Engineers	20	400	8000	96000
Technician	50	300	1500	180000
Skilled labor	40	200	8000	96000
Unskilled Lahore	60	150	9000	108000
Total	174		42400	508800

Plus 30% social insurance and service allowances, then the total cost becomes \$ (661000).

Total Manpower cost/ Year:**Table No. (18)**

Item	Number	\$ (000)
Indirect Manpower	24	92
Direct Manpower	174	661
Total	198	753

Utilities:**Table No. (19)**

Item	Amount US. \$(000)
Electricity: 300000 tons x 150 KWA x \$ 0.025	= \$ 1125
Water: 360000 cu.m/year	= 6
Fuel: 300000 Tons x 110 Lt. x \$ 0.014	= 462
Fuel for other purposes:	= 20
Lubricants:	= 20
Communications	= 10
Transportation	= 50
Travel expenditures	= 10
Other expenditures	= 50
Total utilities	= 1733

Table No. (20)

Means of Transportation and Heavy Machinery

Type	No	Price	Value \$
Car, Saloon	1	4000	4000
Mini Bus	1	6000	6000
Lory (15 tons)	2	20000	40000
Loader	3	50000	150000
Bulldozer	2	100000	200000
Forklift	3	30000	90000
Electric Generator of (2.5) Mega	2	500000	1000000
Total			1490000

Site:

Location of the plant in Anbar, where the limestone and all other location factors are available.

The total area required is (50) hectares, equivalent to (500000) Sq. meters. Could be obtained by lease.

Building and Civil Engineering:

Building	Area Sq. m	Cost \$	Total Cost \$ (000)
Administration	400	140	56
Clinic	150	1240	21
Fire brick storage	800	1409	112
Spare parts storage	1000	140	140
Laboratory	150	140	21
Internal streets	600	20	12
Parking lot	200	20	4
Fencing	5650	30	170
Other buildings	400	140	56
Chimney			60
Furnace, material mills and cement milling Foundations			150
Site preparation			10
Total Civil Engineering			812

-Construction Period: One year.

Part - V-
-Financial and
Commercial Study-

-Plant Investment Requirement-

Rate of foreign exchange: (US\$ 1.0=ID.1500)

Item	US.\$ 000
1-Fixed Assets:	
1-1.Land (Rested)	
1-2.Buildings and Civil Engineering	812
1-3.Equipment (Installed)	11835
1-4.Vehicles	50
1-5.Heavy Machinery	350
1-6.E. Generators	1000
1-7.E. Installations	100
1-8.Water, Sewerage and Sanitary Installation	50
1-9.Air conditioning	30
1-10.Office inventory	10
Total Fixed Assets	14237
2-Preliminary Expenses:	
2-1Engineering and Starting-up Cost	200
2-2.Know How	100
2-3.Training	75
Total Preliminary expenses	375
3-Working Capital	637
Total Initial Investment (1+2+3)	15249

To be rounded to: US\$ (15250000)

(Equivalent to ID. 22.88 Billions)

Working Capital:

Item	\$ (000)
Wages and Salaries (one month)	63
Raw Materials (one month)	224
Utilities (one month)	144
Repairs and maintenance (Two month)	166
Rent	20
Insurance	20
Total Working Capital	637

Annual Repair and Maintenance Cost:

As: 5% of fixed assets value:

$$14237 \times 0.07 = \$ 997 \text{ Thousands}$$

Capital Structure:

Source of Finance	Amount \$ (000)	Percentage
Loan free of interest	12000	78.7
Equity	3250	21.3
Total	15250	100

Note: The Total Capital of the Plant will be mainly financed by a loan of \$(12) million, free of interest, to be repaid within five years.

Depreciation:

Item	Rate	Amount \$ (000)
Building and Civil Engineer	5 %	40.6
Equipment installed	10 %	1183.5
Vehicles	10 %	5.0
Heavy machinery	10 %	35.0
Generators	10 %	100.0
Elect. Installations	10 %	10.0
Water and Sewerage installations	10 %	5.0
Air-conditioning	10 %	3.0
Office Inventory	10 %	1.0
Preliminary Expenses	10 %	37.5
Total Annual Depreciation		1420.6

Rounded to \$ (1421) Thousand

Production Cost

1-Fixed Cost:

Item	Amount \$ (000)
Depreciation	1421
Rent	20
Insurance	20
Indirect manpower cost	92
Total Fixed Cost	1553

2-Variable Cost:

Item	Amount \$ (000)
Raw Materials	2687
Direct Manpower Cost	661
Utilities	1733
Repairs and maintenance	997
Contingencies	200
Total variables	6278

Total Production Cost:

Item	Amount \$ (000)
Fixed Cost	1553
Variable Cost	6278
Total	7831

Production Cost Per ton: $7831 \div 300 = \$ 26.1$

Annual Sales Value:

Quantity: 300000 Tons

Price: US\$ 38.0 ex factory price per ton.

- This price is less by \$ (1.0) per FOB international price per ton port land cement.
- It is the same price as the Egyptian cement F.O.B. price.
- It is 55% of the C. & F. Um Qassr price of Egyptian cement.
- It is 50% - 44% of Baghdad Market price of Egyptian and Lebanese cement.
- It is around 67-70% of the Iraqi cement ex factory prices.

Sales Value:

300000 tons x \$ 38 = \$ 11.4 Millions.

Annual Profits:

Item	\$ Millions
Sales value	11.40
Annual Cost	7.83
Profit	3.57

Average Production Cost Per ton:

$$7830\ 000 \div 300\ 000 = \$ 26.1$$

Production Annual Cost Breakdown:

Item	\$ (000)	Per cent	Rank
Raw Material	2687	34.3	1
Wages and Salaries	753	9.6	5
Depreciation	1421	18.1	3
Repairs and maintenance	997	12.7	4
Utilities	1733	22.1	2
Insurance and Rent	40	0.5	7
Contingencies	200	2.6	6
Total	7831	100	-

Annual Net Profit under three capacity

Utilization Levels: Amount \$ (000)

Item	50%	75%	100%
1-Fixed cost	1553	1553	1553
2-Variable cost	3139	4709	6278
3-(1+2) Total cost	4692	6262	7831
4-Sales value	5700	8550	11400
4-1 Profit	1008	2288	3569
Invested capital	15250	15250	15250
Rate of return	6.6%	15%	23%

Part VI

-Project Appraisal-

1-Simple Rate of Return on Invested Capital:

100% of capacity Utilization:

2-Pay-Back Period: Amount \$ (000)

Capacity Utilization	Year	Profit	Depreciat ion	Repaid Amount	Remaining Amount
0	0	0	0	0	15250
75 %	1	2288	1421	3709	11541
75 %	2	2288	1421	3709	7832
100 %	3	3569	1421	4990	2932
100 %	4	3569	1421	4990	0

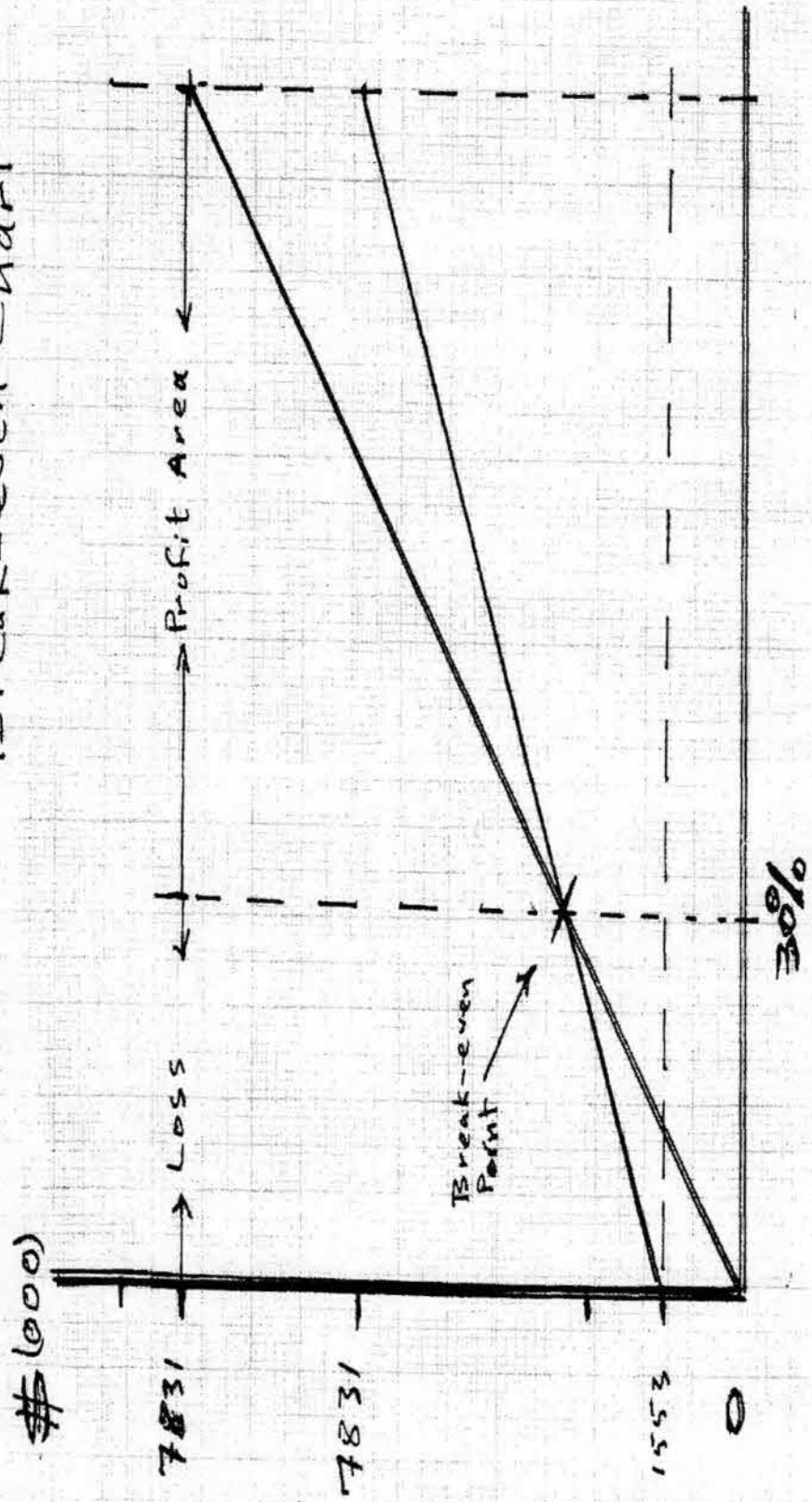
$$2932 \div 4990 = 0.59 \text{ Year}$$

$$\text{Pay-back Period} = 3.60 \text{ Year}$$

3-Break-even Point:

$$1553 \div (11400 - 6278) = 30\%$$

Break-even Chart



Loan Repayment and Annual Installments

(\$ 12 Million)

(\$ Millions)

year	Installment	Remaining Amount by end of year
0	0	12.0
1	0	12.0
2	2.0	10.0
3	2.0	8.0
4	2.0	6.0
5	2.0	4.0
6	2.0	6.0
7	2.0	0.0

Calculation of Net Present Value
(US. \$ Million)

	Implementation	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
I-Cash inflow											
1.sales revenue	-	8.6	8.6	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
2.Resedual + operating capital											2.0
3-Loan	12.0										
Total (I)	12.0	8.6	8.6	11.4	11.4	11.4	11.4	11.4	11.4	11.4	13.4
II-Cash outflow											
1-Investment	15.3										
2-Cash expenses		6.3	6.3	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
3-Replacement											
4-Loan installment		-	2.0	2.0	2.0	2.0	2.0	2.0	-	-	-
5-Taxes		-	-	-	-	-	-	-	-	-	-
Total (II)	15.3	6.3	8.3	9.8	9.8	9.8	9.8	9.8	7.8	7.8	7.8
III-Net Cash flow (I-II)	- 3.3	2.3	0.3	1.6	1.6	1.6	1.6	1.6	3.6	3.6	5.6
Discount 20% Rate	1	0.83	0.69	0.58	0.48	0.42	0.34	0.28	0.23	0.19	0.16
IV-Net Present Value	- 3.3	1.9	0.20	0.90	0.77	0.67	0.54	0.45	0.83	0.68	0.58
Cumulative Total											= 7.52

Net Present Value: $7.52 - 3.3 = 4.22$

Profitability Index: $4.22 \div 3.3 = 125\%$

Grace Period: One year plus the implementation year.

When comparing the rate of discount of the project (20%) with the prevailing interest rate in the money market (5% - 7%), the project is extremely viable and worth being implemented.

Table No. (1)
Annual Dwelling Units Built
Per Thousand Inhabitants in some countries

Country	Number of dwellings built
Austria	4.3
Belgium	4.2
France	6.0
Germany	4.0
Greece	11.5
Island	2.3
Italy	12.0
Ceypruce	13.7
Norway	4.2
Turkey	4.2
Bulgaria	2.5
Hungary	4.1
Poland	3.6
Ozbegstan	6.0

Source : United Nations : Economic Commission for Europe. "Trends in Europe and North America" ; Geneva. 2001.

Foreign Language

112	106	26.6	2004
120	110	27.4	2005
126	113	28.2	2006
232	116	29.0	2007
240	120	29.9	2008
246	123	30.8	2009
254	127	31.7	2010
1630	815	Foreign Language	
233	116		

Foreign Language

Foreign Language

**Forecasts No. Population; and Annual Increments,
and Number of Dwelling Units Needed per year
(Rounded Numbers)**

Foreign Language

		25.8	2003
145.5	0.8	26.6	2004
145.5	0.8	27.4	2005
145.5	0.8	28.2	2006
145.5	0.8	29.0	2007
163.6	0.9	29.9	2008
163.6	0.9	30.8	2009
163.6	0.9	31.7	2010

Foreign Language

.2010-2005

Foreign Language

260	114	146	2005
260	114	146	2006
278	114	146	2007
278	114	146	2008
278	114	146	2009
278	114	146	2010

Foreign Language

Foreign Language

10.4	2005
10.4	2006
11.1	2007
11.1	2008
11.1	2009
11.1	2010

Foreign Language

Foreign Language			
20.8	10.4	10.4	2005
20.8	10.4	10.4	2006
20.8	10.4	10.4	2007
22.2	11.1	11.1	2008
22.2	11.1	11.1	2009
22.2	11.1	11.1	2010

Foreign Language			
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Foreign Language

31.2	2005
31.2	2006
31.2	2007
33.3	2008
33.3	2009
33.3	2010

Foreign Language

Foreign Language

1139	27.4	31.2	2005
1106	28.2	31.2	2006
1076	29.0	31.2	2007
1114	29.9	33.3	2008
1081	30.8	33.3	2009
1050	31.7	33.3	2010

Foreign Language

Table No. (9)
The Average Annual Per capita Consumption
of Cement Per country

Country	Kilogram	Country	Kilogram
Poland	408	Lebanon	623
Australia	340	Malaysia	314
Austria	642	Syria	405
Belgium	352	Saudi Arabia	2039
Canada	238	Tunisia	405
Denmark	278	Kuwait	1684
Finland	360	Qatar	1800
France	377	Singapore	2141
Germany	449		
Italy	666		
Japan	550		
Holland	377		
Spain	411		
Britain	244		
U.S.A	328		
Egypt	273		
Hong Kong	838		
Oman	1119		
Libya	1000		
U.A.E	2186		
Jordan	541		

Source: UNIDO; Handbook of Industrial Statistics.

Table No. (10)
Cement Production Plants in Iraq

No.	Plant	Location	Accessible Production Capacity (000 Tons)	Present Capacity Utilization %
1	Fallouja	Anbar	600	Out of order
2	Fallouja	Anbar	280 (white cement)	40%
3	Kubaisa	Anbar	2000	40%
4	Al-Kaim	Anbar	1000	50%
5	Kofa (1)	Najaf	200	60%
6	Kofa (2)	Najaf	1800	60%
7	Sadda	Babilon	220	40%
8	Kerbala	Kerbala	2000	40%
9	Badosh (1)	Ninwa	240	Out of order
10	Badosh (2)	Ninwa	1850	40%
11	Badosh (3)	Ninwa	1000	50%
12	Hamam Alil (1)	Ninwa	200	40%
13	Hamam Alil (2)	Ninwa	450	60%
14	Sinjar	Ninwa	2000	40%
15	Kirkok	Kirkok	2000	40%
16	Taslouja	Sulaimania	2000	40%
17	Samawa	Muthana	900	Out of order
18	Al-Janoob	Muthana	450	70%
19	Muthanna	Muthana	2000	40%
	Total		21190	

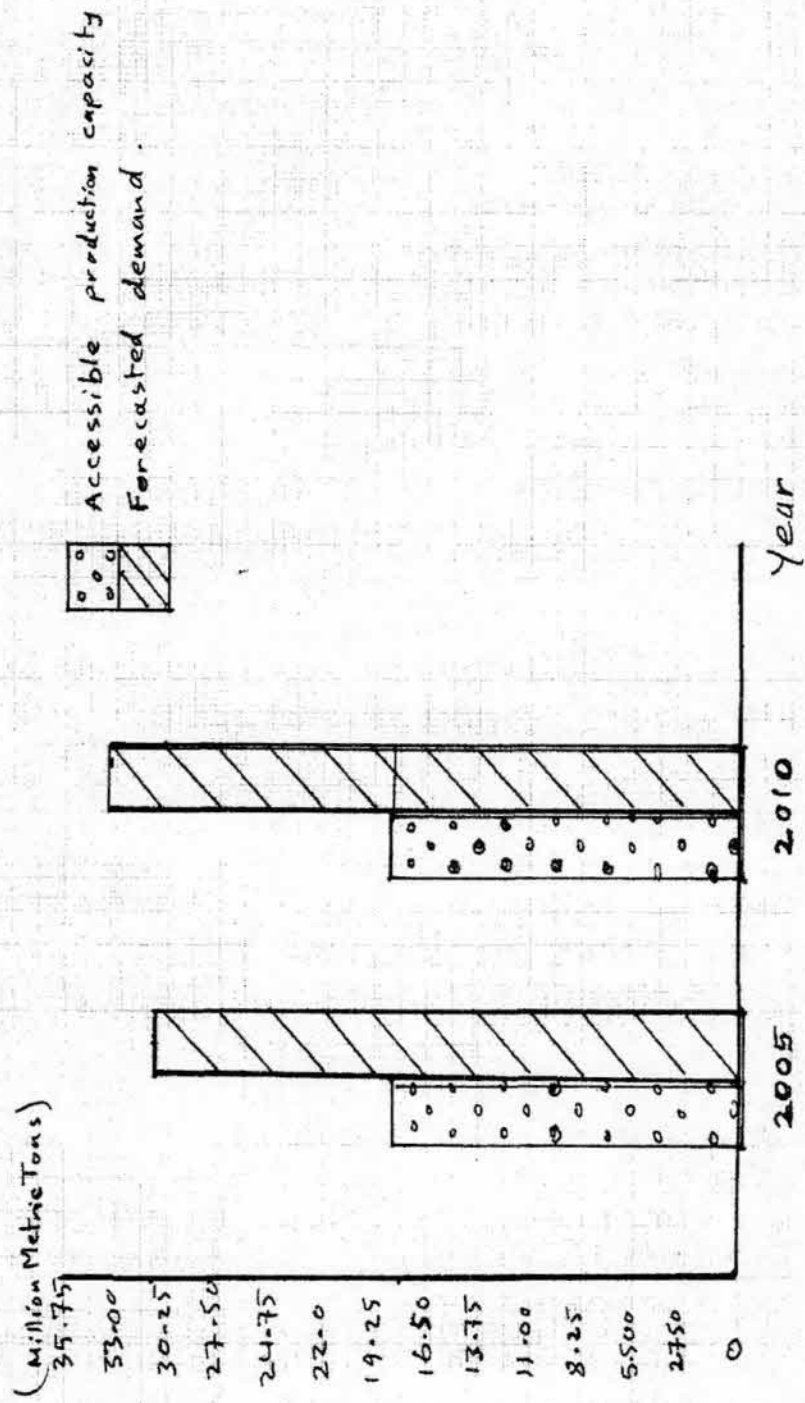
Source: Ministry of Industry and Minerals.

Table No. (11)**Geographical Distribution of cement plants**

Governorate	No. of plants	Accessible production capacity (thousand tons)	Percent	Rank
Anbar	3	3880	18.3	1
Najaf	2	2000	9.4	4
Babil	1	220	1.0	5
Kerbala	1	2000	9.4	4
Ninwa	6	5740	27.1	2
Kirkok	1	2000	9.4	4
Sulaimmia	1	2000	9.4	4
Muthana	5	3350	15.8	3
Total	20	21190	100	

Source: I bid

Cement Production and Demand (IRAQ)



Source: Fikieki Bureau.

COMPLETE CEMENT PLANT - 50 Hz

Capacity 1,200 t/day

Originally built in 1970, this plant has been modernized continuously and main components have been renewed in 2000 / 2001 and 2003. The plant **is** in excellent condition and still in full operation. It is sufficiently automated to operate with a small team. The planned shut down was unexpected and decided only for economical reasons in the cement industry in Western Europe.

Capacity:

Plant is designed for production of 1,200 tons clinker per day

Raw materials:

- limestone 83 %
- clay 11%
- sand 3 %
- plaster 0,5 %
- paper ash, limestone flour, sand, these 3 components are 3,5 %
-

Main equipment

The plant consists mainly of the following equipment:

Material preparation and storage

- storage for clay, capacity 3.000
- tons breaker 1 corn size 0 -150 m

- breaker 2 corn size 0 - 50 mm
- in-process stock 3 silos each 250 ton capacity
- drying drum 2.600 mm Ø x 18.000 mm length

storage for limestone

- limestone with conveyor belt approx. 1,2 km
- storage capacity 12.000 tons
- in-process silo 1 x 60 tons

Mixing of material

- conveyor system for collecting the compounds

Raw material mill / homogenization

2- chamber-ball-mill

- length 12,5 m x 3,6 m
- chamber 1 coarse mill chamber / drying
- chamber 2 fine mill chamber
- mill balls chamber 1 / 53 tons Ø 60 - 90 mm
- mill balls chamber 2 / 50 tons Ø 20 - 50 mm
- separation finish product / coarse product via separator
- capacity approx. 100 tons/h / 4 trucks
- homogenization system via air injection
- capacity approx. 2 h

Granulation / pre-heating

Granulating disk for ball forming

Pre-heater / Lepol- grate- type

- length 29 m, width 4 m, circle approx. 45 min.
- heat through waste heat from the rotary kiln
- 2 chamber-traveling grate
- 1st chamber drying with 400°C
- 2nd chamber pre-burning with 950 - 1.000°C

Rotary kiln

- Rotary kiln for chemical transformation to clinker material
- length: 60 m / 0 4 m / incline: 3,5 %
- burning temperature approx. 1.450°c
- flame temperature approx. 2,000°c
- burning material carbon approx. 80 % / 5.000 kg/h

Clinker cooler

- Cooler, width 2,2m/ length 18,6 m
- cooling from approx. 1,450°c to 100°c
- cooling air amount approx. 200.000 m²/h

Clinker storage

- storage capacity 3 x 9.000 tons
- according to delivery approx. 1 month

Cement milling

2- chamber ball mill

- length 13,5m x 4m
- chamber 1 / coarse mill chamber
- chamber 2 / fine mill chamber
- mill balls chamber 1 / 65 tons 0 60 - 90 mm
- mill balls chamber 2 / 122 tons 0 20 - 60 mm
- separation finish product / coarse product via separator
- motor capacity 2 x 1.400 kW

Availability:

Available immediately after shut down at 04/2004

Plant can be inspected in operation under full load up to this date.

Location :

Europe

PRICE as is/where is EUR 7885000 equiv. US\$ 9735000

An additional amount of US.\$ (0.5) million should be considered for dismantling the plant, and another amount of \$ (0.8) million for transportation from its present location to the site where to be erected in Iraq. An addition amount \$ (0.8) million for installation, then the total cost of the equipment installed would be as follows:

Item	US.\$ (000)
Initial cost	9735
Dismantling cost	500
Transportation cost	800
Installation cost	800
Cost of plant installed	11835

Raw Materials:

- Limestone 83%
- Clay 11%
- Sand 3%
- Plaster 0.5%
- Paper ash, limestone flour, sand, these three components are 3.5%

(الخواص الكيميائية الواجب توفرها في التراب المستعمل في انتاج السمنت)

Specification of clay for cement manufacturing:

$$1 - \frac{SiO_2}{Al_2O_3 + Fe_2O_3} = 2.0 - 3.0$$

$$2 - \frac{Al_2O_3}{Fe_2O_3} = 1.6 - 2.4$$

- 3- So_3 Less than 3.0%
- 4-Mgo Less than 7.0%
- 5-Cl loss than 5.0%
- 6-Al-Kallie ($\text{K}_2\text{O} + \text{Na}_2\text{O}$) Less than 2.0%

Foreign Language

Specifications of limestone for cement manufacturing:

A-Portland cement:

MgO	\leq	2%
CaO	\geq	45%
So3	\leq	1%
Cl		0.5 - 1%
K_2O		0.05%
Na_2O		

B-White Cement:

Same as for Portland cement, but Fe_2O_3 Should not exceed 0.1%.

-Al-Anbar Available Limestone Chemical Properties

Foreign Language

A- Properties:

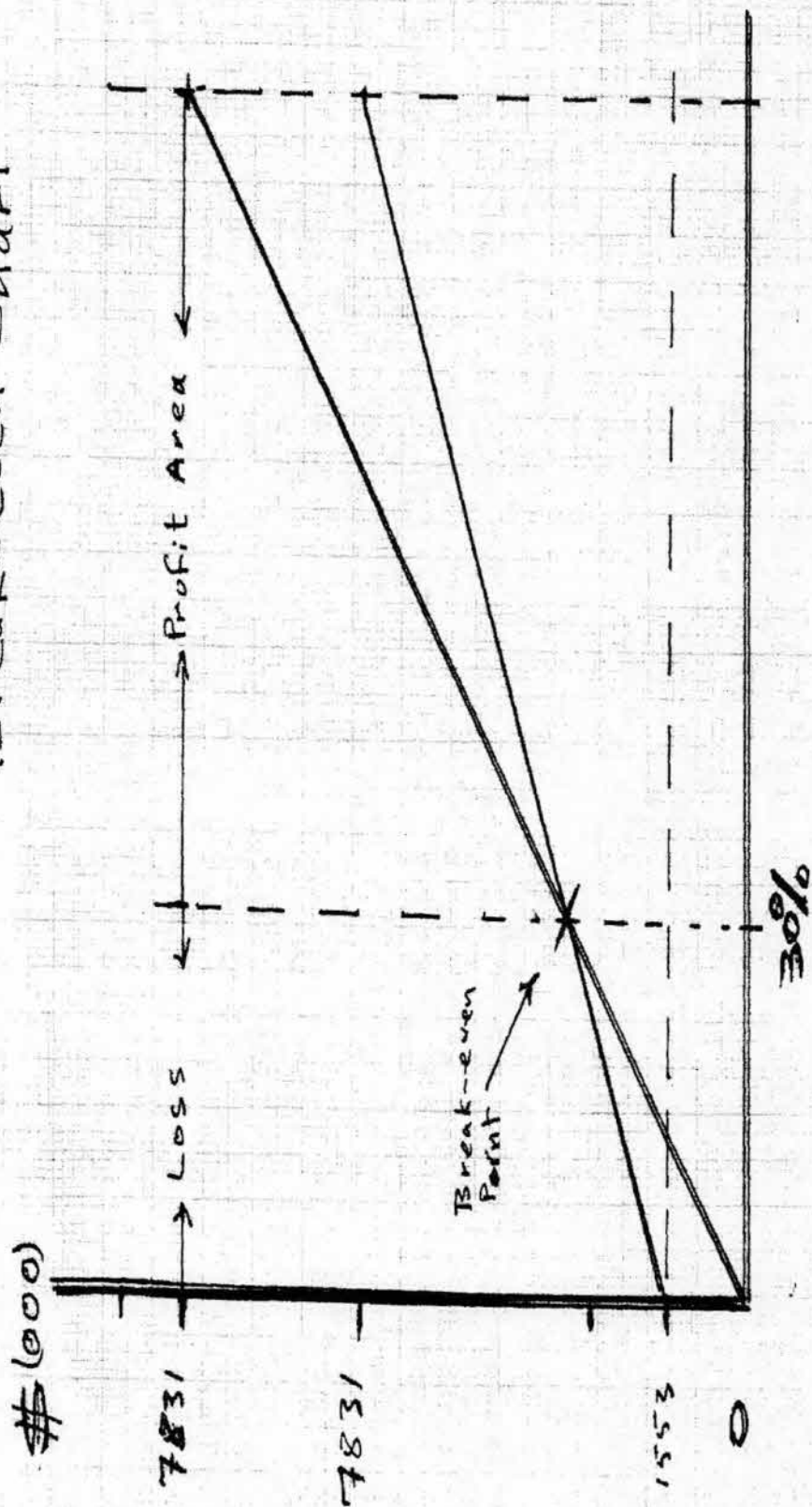
Foreign Language

54.76	54.35	54.16	53.62	53.52	52/91	CaO
0.19	0.19	0.19	0.16	0.17	0.18	MgO
1.17	1.56	1.83	2.62	3.2	3.60	I.R.
0.10	0.13	0.11	0.11	0.18	0.11	Al ₂ O ₃
0.07	0.07	0.087	0.23	0.23	0.22	F ₂ O ₃
0.25	0.34	0.43	0.31	0.78	0.55	So ₃
0.05	0.04	0.04	0.02	0.03	0.02	Cl
0.02	0.02	0.02	0.02	0.03	0.02	K ₂ O
0.09	0.05	0.04	0.10	0.07	0.09	Na ₂ O
42.84	42.54	42.49	41.99	41.56	41.4	L.D.I

B-Quantities:

Estimated total reserves : more than (3.0) billion tons,
spread all over Anbar areas.

Break-even Chart



Calculation of Net Present Value
(US. \$ Million)

	Implementation	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
I-Cash inflow											
1.sales revenue	-	8.6	8.6	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
2.Residual + operating capital											2.0
3-Loan	12.0										
Total (I)	12.0	8.6	8.6	11.4	11.4	11.4	11.4	11.4	11.4	11.4	13.4
II-Cash outflow											
1-Investment	15.3										
2-Cash expenses		6.3	6.3	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
3-Replacement											
4-Loan installment		-	2.0	2.0	2.0	2.0	2.0	2.0	-	-	-
5-Taxes		-	-	-	-	-	-	-	-	-	-
Total (II)	15.3	6.3	8.3	9.8	9.8	9.8	9.8	9.8	7.8	7.8	7.8
III-Net Cash flow (I-II)	- 3.3	2.3	0.3	1.6	1.6	1.6	1.6	1.6	3.6	3.6	5.6
Discount 20% Rate	1	0.83	0.69	0.58	0.48	0.42	0.34	0.28	0.23	0.19	0.16
IV-Net Present Value	- 3.3	1.9	0.20	0.90	0.77	0.67	0.54	0.45	0.83	0.68	0.58
Cumulative Total		= 7.52									

(b)(6)

From: (b)(6)
Sent: Monday, March 01, 2004 4:09 PM
To: (b)(6)
Subject: FW: Cement

Sir,
Tikrit.

V/R

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Monday, March 01, 2004 3:49 PM
To: (b)(6)
Subject: Cement

Ma'am,

Cement fluctuates day to day but on the average it is 80 to 90 dollars a ton. We get our cement from Turkey. This does not account for delivery but is the base price. Total cost depends on the location/destination of the cement.

(b)(6)

(b)(6)

From: (b)(6)
Sent: Monday, March 01, 2004 4:09 PM
To: (b)(6)
Subject: FW: FW: Request?

Sir,

V/R

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Monday, March 01, 2004 2:07 PM
To: (b)(6)
Subject: Re: FW: Request?

Ma-am,

Cement is expensive here. Most is from Lebanon Syria or Kuwait. Price is about \$10 for 100lbs. No issue with availability though. I am told there are three producing areas and only the one in the south is functioning and that is intermintantly.

I hope this helps.

ATW!

(b)(6)

CONTRACTING OFFICER
82D AIRBORNE DIVISION
AR RAMADI, IRAQ

----- Original Message -----

From: (b)(6)
(b)(6)

Date: Sunday, February 29, 2004 11:26 pm

Subject: FW: Request?

> Folks,
> Can you answer the below ASAP?
>
> Have your contractors or subs experienced any non-availability of
> cement on
> projects?

3/5/2004

> Are they buying cement locally or importing (usually from Kuwait)?
 > Do you have any idea of the quantity and what price they are
 > paying for the
 > commodity (either bag or bulk?)

>

>

> Thanks! Suspense is Tuesday 1200 hrs. Negative responses
 > required.

>

> (b)(6)

>

>

> -----Original Message-----

> From: (b)(6)

> Sent: Monday, March 01, 2004 8:36 AM

> To: (b)(6) CJTF7-C8 CHIEF OF CONTRACTS

> Subject: Request?

>

>

> (b)(6)

>

> I'm (b)(6) over at the Ministry of Industry & Minerals. A few
 > questions that, I'm sure, don't mean a quick answer, but please
 > bear with me.

>

> I'm trying to make a business argument for getting the funds to
 > put some key
 > state owned factories back into business. From your standpoint, of
 > course, that stabilizes the economy and gets substantial number of
 > people off the
 > street and working, therefore not causing trouble.

>

> Have your contractors or subs experienced any non-availability of
 > cement on
 > projects?

> Are they buying cement locally or importing (usually from Kuwait)?
 > Do you have any idea of the quantity and what price they are
 > paying for the
 > commodity (either bag or bulk?)

>

> Any estimate on future requirements?

> I'm before the Program Review Board Wed AM and could sure use some
 > figures even if, initially, they are anecdotal.

>

> Thanks.

> (b)(6)

>

3/5/2004

(b)(6)

From: (b)(6)
Sent: Friday, March 05, 2004 11:05 AM
To: (b)(6)
Subject: FW: Housing for Ministry of Industry Personnel

You can have this one.

Lots of these "issues" arise. Might want to consider journaling them if you have not done so already. It's easy for them to slip thru the cracks. Likely you'll be able to track it down tomorrow.

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Tuesday, March 02, 2004 5:03 PM
To: (b)(6)
Subject: FW: Housing for Ministry of Industry Personnel

Ma'am

We were doing a walk through on some Ministry of Health property between the Ministry proper and the Morgue and we found an apartment block built around a power distribution station...the tenants there claim they are Ministry of Industry and Trade employees and the housing is provided by their Ministry (truth be told, the story changed a few times)...I need to find out the background and find out who owns the building...we have some traffic flow problems where people pick up the bodies of their loved ones and this apartment block is right in the center of the flow plan...can you inquire at the Ministry if they have any knowledge of this living arrangement?

v/r (b)(6)

(b)(6)
**Military Assistant to the Senior Advisor for Health
Coalition Provisional Authority
Baghdad, Iraq**

(b)(6)

(b)(6)

From: (b)(6)
Sent: Tuesday, March 02, 2004 8:42 PM
To: (b)(6)
Subject: FW: Cement info

*Sir,
BIAP...*

V/R

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Tuesday, March 02, 2004 11:59 AM
To: (b)(6)
Subject: Cement info

Ma'am

As requested per discussions with are largest purchaser of cement/concrete, Division Engineering here is what I found out:

1. Non-availability of concrete has been a recent issue. Various reasons cited; age of equipment, religious holidays, local acts of terror, escalating price of Portland Cement, strengthening of the dinar vs. the dollar
2. We recently had batch plant go on-line at BIAP; the situation is now under control, as the plant is capable of producing 500 m3 per day. All local purchases are being directed to our (BIAP) batch operation. The vendor is also offering to install an identical plant at the location of DIVENG choosing at no cost to us. DIVENG is simply paying for the concrete.
3. Portland cement is being imported from a number of locations outside Iraq
4. Pricing: Still waiting on info will send as soon as they provide

(b)(6)

3/5/2004

(b)(6)

From: (b)(6) CJTF7-C8 CHIEF OF CONTRACTS
Sent: Tuesday, March 02, 2004 10:06 PM
To: (b)(6)
Subject: FW: Cement info (2nd)

-----Original Message-----

From: (b)(6) CJTF7-C8 CHIEF OF CONTRACTS
Sent: Tuesday, March 02, 2004 8:33 PM
To: (b)(6)
Subject: FW: Cement info (2nd)

*Sir,
BIAP.*

V/R

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Tuesday, March 02, 2004 12:27 PM
To: (b)(6)
Subject: Fwd: Cement info (2nd)

Pricing info: The minimum cost per ton varies due to seasonal use and market economy and is between about \$76 for the normal brand and \$82 for the fast drying brand (with chemical additives for fast drying in Winter times).

Note: forwarded message attached.

3/5/2004

(b)(6)

From: (b)(6)
Sent: Monday, March 01, 2004 12:16 PM
To: (b)(6)
Subject: FW: Request?

Sir,
Number 2 from Tallil.

Correct

V/R

(b)(6)

-----Original Message-----
From: (b)(6)
Sent: Monday, March 01, 2004 12:02 PM
To: (b)(6)

(b)(6)

Subject: RE: Request?

(b)(6)

Because we are close proximity to Kuwait we have not experienced a shortage in supply...I spoke to the contractor below and the market price is 2KD per bag...we usually buy 3200-4000 bags average and it is from Kuwait. The Vendor I spoke to (Sam) said that he has experienced a shortage in supply to some of the bigger orders...demand is out stripping supply...he is one of just a few, but our biggest supplier.

BREAK BREAK...The Colonel of the 300 ASG wants to know where her CERP funds are for execution of local CPA projects...I will get the dollar amount of projected funds that is required, I just want to get this request into the right budget bubba.

V/r (b)(6)
Sam Al-Masri, Executive Manager, Global Links, (b)(6)
(b)(6)

(b)(6)

Chief of Contracting, CJTF-7 Forward
LSA Adder, Tallil AB
An Nasiriyah, IRAQ

(b)(6)

-----Original Message-----
From: (b)(6)
(b)(6)
Sent: Monday, March 01, 2004 10:26 AM
To: (b)(6)

(b)(6)

Subject: FW: Request?

Folks,
Can you answer the below ASAP?

Have your contractors or subs experienced any non-availability of cement on projects? Are they buying cement locally or importing (usually from Kuwait)? Do you have any idea of the quantity and what price they are paying for the commodity (either bag or bulk?)

Thanks! Suspense is Tuesday 1200 hrs. Negative responses required.

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Monday, March 01, 2004 8:36 AM
To: (b)(6)
Subject: Request?

(b)(6)

I'm (b)(6) over at the Ministry of Industry & Minerals. A few questions that, I'm sure, don't mean a quick answer, but please bear with me.

I'm trying to make a business argument for getting the funds to put some key state owned factories back into business. From your standpoint, of course, that stabilizes the economy and gets substantial number of people off the street and working, therefore not causing trouble.

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Any questimate on future requirements?

I'm before the Program Review Board Wed AM and could sure use some figures even if, initially, they are anecdotal.

Thanks

(b)(6)

(b)(6)

From: (b)(6) CJTF7-C8 CHIEF OF CONTRACTS
Sent: Monday, March 01, 2004 12:12 PM
To: (b)(6)
Subject: FW: FW: Request?

Sir,
First response from Anaconda.

V/R

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Monday, March 01, 2004 10:35 AM
To: (b)(6)
Subject: Re: FW: Request?

Ma'am,

We did a contract here at Balad to establish a concrete batch plant here on the LSA. He produces it for \$95 per cubic meter.

We have had some challenges getting the gravel necessary to make the concrete, at times, but it is getting better. I know KBR has had some challenges, and they are also looking at setting up their own batch plant here as well, which concerns me because of a fear of escalating prices as we compete with ourselves.

(b)(6)

MAJ, QM
CONTRACTING OFFICE CHIEF
CJTF7 CONTRACTING OFFICE
LSA ANACONDA, IRAQ

----- Original Message -----

From: (b)(6) CJTF7-C8 CHIEF OF CONTRACTS"
(b)(6)
Date: Monday, March 1, 2004 8:26 am
Subject: FW: Request?

> Folks,
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>
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> commodity (either bag or bulk?)
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>
> Thanks! Suspense is Tuesday 1200 hrs. Negative responses
> required.

> (b)(6)

> -----Original Message-----

> From: (b)(6)
> Sent: Monday, March 01, 2004 8:36 AM
> To: (b)(6) CJTF7-C8 CHIEF OF CONTRACTS
> Subject: Request?

> (b)(6)

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> Any questimate on future requirements?

> I'm before the Program Review Board Wed AM and could sure use some
> figureseven if, initially, they are anecdotal.

> Thanks

> (b)(6)

(b)(6)

From: (b)(6) CJTF7-C8 CHIEF OF CONTRACTS
Sent: Monday, March 01, 2004 12:19 PM
To: (b)(6)
Subject: FW: FW: Request?

Sir,
#3 from Mosul...

Cement

V/R

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Monday, March 01, 2004 11:21 AM
To: (b)(6)
Subject: Re: FW: Request?

(b)(6)

The contractors we have buy their cement locally. My understanding is imported from turkey at \$70.00 ton cement equall 20 bags. 50 kilogram at \$3.50 a bag.

(b)(6)

----- Original Message -----

From: (b)(6) CJTF7-C8 CHIEF OF CONTRACTS"
(b)(6)

Date: Sunday, February 29, 2004 11:26 pm

Subject: FW: Request?

- > Folks,
- > Can you answer the below ASAP?
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- > commodity (either bag or bulk?)
- >
- >
- > Thanks! Suspense is Tuesday 1200 hrs. Negative responses

3/1/2004

> required.

>

> (b)(6)

>

>

> -----Original Message-----

> From: (b)(6)

> Sent: Monday, March 01, 2004 8:36 AM

> To: (b)(6) CJTF7-C8 CHIEF OF CONTRACTS

> Subject: Request?

>

>

> (b)(6)

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>

> Thanks.

> (b)(6)

>

3/1/2004

(b)(6)

From: (b)(6) CJTF7-C8 CHIEF OF CONTRACTS
Sent: Monday, March 01, 2004 1:34 PM
To: (b)(6)
Subject: FW: FW: Request?

Sir,

Another...

-----Original Message-----

From: (b)(6)
Sent: Monday, March 01, 2004 11:00 AM
To: (b)(6) CJTF7-C8 CHIEF OF CONTRACTS
Subject: Re: FW: Request?

This info is from the big barracks job at FOB Falcon. The contractor is SAS.

1. No problems getting cement.
2. Local
3. Concrete. \$100 per ton.

(b)(6)

(b)(6) CJTF7-C8 CHIEF OF CONTRACTS"
(b)(6) wrote:

Folks,

Can you answer the below ASAP?

*Have your contractors or subs experienced any non-availability of cement on projects?
Are they buying cement locally or importing (usually from Kuwait)?
Do you have any idea of the quantity and what price they are paying for the commodity (either bag or bulk?)*

Thanks! Suspense is Tuesday 1200 hrs. Negative responses required.

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Monday, March 01, 2004 8:36 AM
To: (b)(6) CJTF7-C8 CHIEF OF CONTRACTS
Subject: Request?

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3/1/2004

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Any questimate on future requirements?

I'm before the Program Review Board Wed AM and could sure use some figures even if, initially, they are anecdotal.

Thanks.

(b)(6)

(b)(6)

Chief, Baghdad Contracting Office

(b)(6)

3/1/2004

COTE - 7

Locat

gms

18

Solar

400 pps

2 KD/bag

(3.39 US)

Special supply is on order supply

Balad

Cost 85 p/c/mch

(Set up concrete patch plant)

Mosul

Purch locally / expected for Turkey

70.00 tonne cent = 20 bags

50 kg at 3.50 a bag

Contract SATS

no supply point / Local

Concrete 8 100 per ton

Cost

74-82

BIAP

Far day brand

→

(b)(6)

From: (b)(6)

Sent: Friday, April 23, 2004 10:00 PM

To: CPA Ministries

Cc: (b)(6)

Subject: Letters of Credit for contracts prior to 30 June

Dear Senior Advisors,

The MoF/OMB Office has asked ExecSec to bring the following to your attention:

CONTRACTS and LETTERS of CREDIT - There will be a number of contracts for goods and services your ministries will want to award between now and June 30. Many of these will involve Letters of Credit that you'll need to fund up front with cash. MoF/OMB is concerned that funding a large number of letters of credit between now and June 30 could present it with cash flow issues.

MoF/OMB needs to understand the scope of the problem (if there even is one). The OBM Office requests that you to provide any information you can by COB April 30 about your contract-related spending plans between now and June 30. They also would like to know if the contracts and letters of credit will be in DOLLARS or DINAR.

MoF/OMB will get in touch with you if you have contracts that they are concerned about. This is important; if you show up at OMB's door in early June with a contract that needs a letter of credit, and they haven't figured it into the equation, you may be out of luck. Please reply to Mr. John Moore or Col Mulhern.

Thanks very much.

(b)(6)

Deputy CPA Executive Secretariat

(b)(6)

For a more expeditious response, please reply to Executive Secretary and not to me individually. Thank you.

4/24/2004

(b)(6)

From: (b)(6)
Sent: Tuesday, March 02, 2004 7:08 PM
To: (b)(6)
Subject: FW: last turn extention

(b)(6)

Crescent's response to second extension in effort to clarify the situation.

This is the last of the e-mails regarding background. Crescent and its partner Tekfen have entered our bid timely for the refurbishment of the sulphur purification unit and awaits word from MSSC regarding its judgements about the bids it received. We understand that a Polish company an Iraqi company and another US company also submitted bids for this work.

I'd be pleased to provide additional information if it would be helpful to you and look forward to talking with you after you have had a chance to get your feet on the ground.

(b)(6)

-----Original Message-----
From: (b)(6)
Sent: Monday, January 19, 2004 9:16 AM
To: (b)(6)
Cc: (b)(6)
Subject: RE: last turn extention

Dear Sir:

Thank you for your message regarding the new closing date for the tender regarding the rehabilitation of the Sulphur Purification Unit. We hereby confirm receipt of this information. For your information Crescent and Tekfen, absent prior official information regarding a change in the closing date, have been working diligently to meet the January 20 deadline, but will withhold our bid in keeping with this extension.

Crescent and Tekfen look forward to working with you and your team both on this project as well as other work required to restart sulphur production at Mishraq. We reconfirm our conviction that technology employed at our West Texas sulphur mine can be very helpful to both the economic restart of Mishraq and the solution of certain environmental challenges that MSSC has previously discussed with us.

Regards,

(b)(6)
Crescent Technology
Osman Birgili
Tekfen Construction and Installation Co., Inc.

-----Original Message-----

From: (b)(6)
Sent: Sunday, January 18, 2004 1:26 AM
To: (b)(6)
Cc: (b)(6)
Subject: last turn extention

Dear Sirs,

we would like to inform you that we have made a last extention for tender of rehabilitation of

3/9/2004

Sulphur Purification Unit .The new closing date will be on **SATURDAY FEBRUARY 21 , 2004 .**

We confirm that this is the last extention for this tender . Please reply this e-mail .

Best regards.

Noori Hattab
Director General
Mishraq Sulphur State Company

Do you Yahoo!?

Yahoo! Hotjobs: [Enter the "Signing Bonus" Sweepstakes](#)

3/9/2004



CRESCENT TECHNOLOGY, INC.

International Environmental, Safety, Engineering and Analytical Services

Phosphate Services

Crescent Technology, Inc. (CTI) has acquired significant technology and experience as a result of its close relationship with several of the world's preeminent phosphate fertilizer companies (Freeport Chemical Company, Agrico, IMC-Agrico, Mississippi Chemical Company, and Fertiberia). Many of CTI's current staff were previously members of the senior management group of Agrico, and of IMC-Agrico. CTI is well qualified in every aspect of the phosphate industry: commercial development, mining and development of rock reserves, processing and fertilizer manufacturing, quality control, sales & marketing (export and domestic), financial management, controls & reporting, and environmental & safety management. CTI has designed and constructed major fertilizer complexes, developed new products, and performed significant R&D and technical studies on extraction and manufacturing processes, controls, rock variations, and end products.



❖ STRATEGIC MANAGEMENT

- Former senior fertilizer executives are available to analyze and develop overall business strategy
- Financial experience including planning, financial reporting, public debt & equity offerings, and banking and investor representation.
- Operational expertise – plant, mine, environmental, maintenance & technical managers
- Market and product assessments
- Partnering and out-sourcing
- Total Quality Management



❖ OPERATIONS

- Mining operations including reserve acquisition, permitting and mine development
- Plant operations – P_2O_5 , H_2SO_4 DAP/MAP/GTSP
- Plant maintenance, process and technical support
- Environmental & safety permitting, audits and regulatory compliance
- Logistics – sulphur, rock, ammonia, finished products
- Transportation & Terminalling operations
- Gypsum impoundment and closure
- Heat recovery and cogeneration of power

- Personnel management & benefits

❖ ENVIRONMENTAL PERMITTING

- Air, water, and solid waste permitting (including Clean Air Act – Title V permits) for production, processing and terminal operations
- Operations support including emissions inventories, environmental impact assessment, emissions and effluent testing and monitoring, E.H.S. compliance audits and assessments, development of flexible operating alternatives, and negotiations with regulatory agencies
- Air quality computer modeling for permitting and compliance studies, including hazardous air pollutants and PSD analysis.
- Manage community and regulatory agency relations in support of new, existing and closed facilities





CRESCENT TECHNOLOGY, INC.

International Environmental, Safety, Engineering and Analytical Services

Phosphate Services Continued

❖ **DUE DILIGENCE**

- Acquisition and divestiture teams for fertilizer facilities transactions
- Environmental & technical reviews
- Develop operational & financial projections
- Support public financings (debt & equity)
- Prepare bankable documents & studies



❖ **GYPSUM STACK CLOSURE**

- Regulatory review & analysis
- Agency negotiations
- Compliance with closure requirements
- Closure and post closure certification and reporting



❖ **SUPERFUND SITE MANAGEMENT**

- Client representation to federal, state, and local agencies
- Technical expertise on remedial activities
- Administrative management of activities
- Interface with internal and external counsel

❖ **REHABILITATION OF CLOSED SITES**

- Environmental, regulatory, and project management services for the closure and reclamation of mined areas
- Reclamation of industrial sites
- Investigate and develop alternative uses for closed industrial and mining sites



❖ **R&D AND PROCESS DEVELOPMENT**

- Gyp stack reclamation
- Uranium recovery
- Phosphoric acid purification
- Silicon Tetrafluoride
- Aluminum Fluoride
- Fluorine Recovery

❖ **ENGINEERING & CONSTRUCTION**

- Design, procurement, construction management, and commissioning of major fertilizer complexes
- Construction management for Co-generation facilities
- Design, procurement, construction management, and commissioning of offshore Frasch sulfur mines and recovered sulfur plants
- Construction management for sulfuric acid plants and Claus sulphur recovery units
- Develop and implement control strategies for power plants, cogeneration and production facilities, including DCS controlled remote shutdown and operation



CRESCENT TECHNOLOGY, INC.

International Environmental, Safety, Engineering and Analytical Services

Sulfur Services

As a result of its long and close relationship with one of the world's preeminent sulfur companies, Crescent Technology, Inc. (CTI) has acquired significant technology and experience. CTI's staff is qualified in virtually every aspect of the sulfur industry: production, processing, quality control, transportation & terminaling, and environmental & safety management (including permitting, monitoring, and auditing). With recent consolidations and other changes in the sulfur business, CTI is now offering to provide a wide variety of support services to a broader segment of the industry, including producers, transporters, and consumers.

❖ DRILLING AND PRODUCTION

- Technical know-how in the production of sulfur.
- Expertise in high angle directional drilling.
- Technology for superheating seawater with control of scaling and corrosion.
- Injection systems for mining sulfur and brine.



❖ PURIFICATION

Design, engineering, construction, and operation of systems for:

- Purification via centrifugation.
- Purification via filtration.
- Purification by distillation.

❖ TRANSPORTATION, LOGISTICS & TERMINALS

- Handling and transportation of sulfur by pipeline, truck, railcar, barge and ship.

- Design, engineering, construction and maintenance of sulfur terminals, including delivery, storage, and loading of solid and molten sulfur.
- Design and construction of sulfur vats and heating systems for re-melting sulfur.
- Design and construction of systems for treating storm-water runoff from sulfur vats.
- Innovative concepts for long-term storage.



❖ ENVIRONMENTAL MANAGEMENT

- Air and water permitting (including Clean Air Act – Title V permits) for sulfur production, processing and terminaling operations.
- Permitting support (including emissions inventories, environmental impact assessment, emissions and effluent testing and monitoring, development of flexible operating alternatives, and negotiations with regulatory agencies).
- Air quality computer modeling for permitting and compliance studies, including hazardous air pollutants and PSD analysis.
- Solid waste permitting.
- Development and auditing of environmental management systems by trained ISO 14001 lead auditors.
- Environmental compliance auditing.





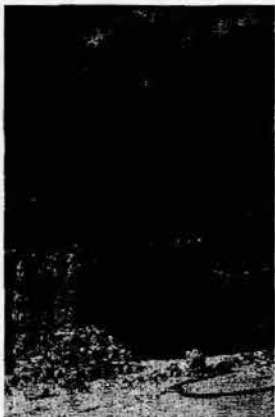
CRESCENT TECHNOLOGY, INC.

International Environmental, Safety, Engineering and Analytical Services

Sulfur Services Continued

❖ **SULFUR ANALYSIS**

- Product quality analysis.
- Chemical analyses and environmental testing of sulfur and sulfur compounds.
- Full-service chemical analysis and testing laboratory.



❖ **HYDROGEN SULFIDE REMOVAL**

- Identification, measurement, monitoring and removal of hydrogen sulfide gas from storage vessels at sulfur terminals and petrochemical plants.

❖ **REMOVAL OF ABANDONED OFFSHORE PLATFORMS**

- Environmental, regulatory, engineering and project management services for the reefing and salvaging of offshore facilities.

❖ **RECLAMATION OF ABANDONED SITES**

- Environmental, regulatory, and project management services for the plugging and abandonment of sulfur wells.
- Reclamation of abandoned sites.
- Recovery of sulfur from sulfur-waste mixtures.

❖ **ENGINEERING & CONSTRUCTION**

- Design, procurement, construction management, and commissioning of on and off-shore Frasch mines and Claus recovery units.
- Construction management for sulfuric acid plants.
- Development, design, construction, and commissioning of sulfur purification facilities (including submerged combustion, centrifugation, and filtration).
- Development and implementation of control strategies for power plants and sulfur production facilities, including DCS controlled remote shutdown.



To: (b)(6) Senior Advisor
Ministry of Industry & Minerals
Coalition Provisional Authority - Baghdad, Iraq

From: (b)(6) **Continental Ore Corporation, New York**

Dear (b)(6)

Thank you very much for your e-mail message of February 21.

We would like to present for your consideration a very preliminary and basic proposal to reconstitute Iraq's Sulfur industry, and in particular the Al Mishraq Sulfur Industry Company.

For your information, we have been active in the Sulfur business for more than 50 years, and were responsible for the development of the marketing concepts for the Mexican Sulfur production (1950s), as well as for Shell of Canada (1960s), and continue to be active in the Sulfur trade.

As we see it, a very crucial element in this endeavor would be to involve the surrounding populace in this enterprise as shareholders, so that they have a direct stake in its success, and to minimize the likelihood of continued destruction and looting of the company's assets.

Of course, initially a feasibility study would have to be made to determine how to rehabilitate the Al Mishraq operation, including:

- Damage assessment
- What new equipment is needed ?
- Which local managers/employees would participate ?
- What are the logical markets for the Sulfur ?
- What are the logical delivery routes and transport means to access these markets ?
- etc., etc.

Because of our background, we believe that we could arrange for the suitable technical organizations to assist Iraq in becoming a world-class supplier of Sulfur to the entire region, and beyond.

In fact, there is a considerable market for Sulfur in the immediate area, amounting to approximately 2.5 million tons annually, which to a certain extent we have supplied in the past, from as far away as Canada.

We welcome the opportunity of discussing this matter with you, or anyone you would delegate to do so.

In the meantime, it would be most helpful if we could have the following information:

- What are the chemical and physical properties of the Al Mishraq Sulfur ?
- What quantities of stockpiled Sulfur are now available ?
(we assume that the stockpile is located at the plant, in the City of Mishraq).
- We understand that Jordan is taking Sulfur from Al Mishraq. What quantities are they taking, say on a monthly basis, and how is the material being delivered, and to where ?
- We also understand that approximately 500,000 tons of recovered Sulfur (from oil and gas operations) are also stockpiled in Iraq. Do you have any details on these stockpiles, such as chemical and physical properties, quantities, and locations?

We would appreciate it very much if you could assist us in getting this information.

There is much potential here, but much work will need to be done. We feel that our knowledge and experience in the Sulfur trade would be very helpful in developing this industry for Iraq.

Please let us know how we should proceed to further this concept.

Many thanks in advance.

Yours sincerely,

Continental Ore Corporation

(b)(6)

570 Lexington Avenue -33rd floor
New York, N.Y. 10022

(b)(6)

From: (b)(6) **Continental Ore Corporation - New York**

Dear (b)(6)

Thank you for your prompt reply which we appreciate very much.

Actually, we do not have a website. But here's a brief description of our company:

Continental Ore Corporation (COC), a privately held group in the field of industrial raw materials (Sulphur, Boron, Ferro Alloys, Iron ore, Pig Iron, Petroleum Coke, Vanadium, Tungsten), originally established in 1939, now operates as a consulting concern. COC was acquired by, and merged with **International Minerals & Chemicals (IMC)**--the world's leading independent producer of fertilizers--in 1968. IMC purchased COC for the purpose of broadening their international presence, and diversifying into some of the industrial raw material areas which formed COC's base of expertise.

In 1973, three members of COC's original top management team decided that significant areas of international marketing and trading opportunities could be more productively developed in a private, entrepreneurial environment, rather than in the structured confines of a large, public U.S. company, whose main activities were focused on mining and production. Therefore, **Continental Resources Inc.(CRI)**, was formed in 1974. CRI, an international trading group, re-purchased from IMC several of their marketing and trading operations.

As a result of the COC/CRI group's professional expertise, international contacts, and unchallenged reputation, extending for more than half a century, the group has been successful in developing commercial strategies, innovative transaction structures, and challenging joint ventures.

Hope this is helpful.

Yours sincerely,

(b)(6)

Continental Ore Corporation

To: (b)(6) - Senior Advisor - **Ministry of Industry & Minerals**
Coalition Provisional Authority - Baghdad, Iraq

From: (b)(6) - **Continental Ore Corporation**, New York

Dear (b)(6)

I refer to your e-message of February 23, and our reply of February 24.

In the meantime, according to the trade publications, Jordan (**Jordan Phosphate Mines Co., Ltd.**) has been receiving 800 to 1,000 tons per day of Iraqi Sulphur, by truck.

Do you have any further details on this ? Is the Sulphur from Al Mishraq, or is it from recovered Sulphur from oil and gas operations ?

We would be most interested to know about this, as well as any further information you might have been able to gather regarding the Sulphur situation in Iraq.

Thank you, and best regards.

Yours sincerely,

Continental Ore Corporation

(b)(6)

Dear (b)(6)

I refer to our previous e-mail messages.

We haven't heard from you in quite a while. Hope all is well.

Would appreciate hearing from you soon.

Sincerely,

Continetal Ore Corporation

(b)(6)

To: (b)(6) - Senior Advisor - **Ministry of Industry & Minerals**
Coalition Provisional Authority - Baghdad, Iraq

From: (b)(6) - **Continental Ore Corporation**, New York

Dear (b)(6)

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Thank you, and best regards.

Yours sincerely,

Continental Ore Corporation

(b)(6)

To: (b)(6) Senior Advisor - **Ministry of Industry & Minerals**
Coalition Provisional Authority - Baghdad, Iraq

From: (b)(6) - **Continental Ore Corporation**, New York

(b)(6)

We have sent you several e-messages over the last several weeks / months and have not heard from you.

We would appreciate the courtesy of a reply.

Sincerely,

(b)(6)

(b)(6)

We really hope that you are well and safe, considering the news coming out of Iraq which we've been hearing lately.

Having said that, we still would like to see the "response of substance" which you promised us back in February. *February* !!

Please let us hear from you.

Respectfully yours,

(b)(6)

Continental Ore Corporation

(b)(6)

(b)(6)

wrote:

I am in receipt of your e-message. Thanks for responding. I will get back to you shortly with, ~~honestly~~ a response with substance. Do you have a website address for your company?

(b)(6)

-----Original Message-----

From: (b)(6)

Sent: Sunday, February 22, 2004 11:29 PM

To: (b)(6)

Subject: Al Mishraq Sulphur

To: (b)(6)

Fm: (b)(6)

Hope you are both well.

Please let us hear from you regarding the Sulphur situation in Iraq, in particular the Al Mishraq Sulphur Co., but also recovered (from oil & gas) Sulphur, too.

Thanks.

Yours sincerely,

Continental Ore Corporation

Ministry of Industry and Mineral
Mishraq Sulphur State Company

TENDER NO. 4 / 2003

We are Mishraq Sulphur State Company/ Mosul – Iraq , have the intention to carry out a major rehabilitation works on sulphur purification plant (As mentioned BELOW). Tender conditions and specifications could be obtained (by unreturnable I.D 25000) either from Mishraq office in Mosul (Rasil-jada traffic lights) or from Baghdad follow-up office (Address : Al- battawin – opposite to Sadoon local hospital – Arab Navigation building – third floor) . Offers should be submitted in two closed and sealed envelopes at or before 12.00 p.m (Baghdad local time) of (SATURDAY 20/12/2003). Our company is not obliged to accept the lowest prices or any other offers and will drop any offer out of the tender conditions .

Foreign Language

		Foreign Language
3/F/2003	<ol style="list-style-type: none"> 1. Maintaining or replacing all equipment and utilities to ensure efficient operation of the plant , in order to reach the design capacity . 2. Supplying a new CO₂ unit (capacity 180 Kg / hr). 3. The works mentioned above include re-insulating and painting of all equipment and pipes of the unit . <p><i>Note :</i></p> <p>Offers should include all items mentioned in the technical specifications of the tender</p>	Foreign Language

Foreign Language

Director General

Inventory

- Sells to trading firms not
fertilizer

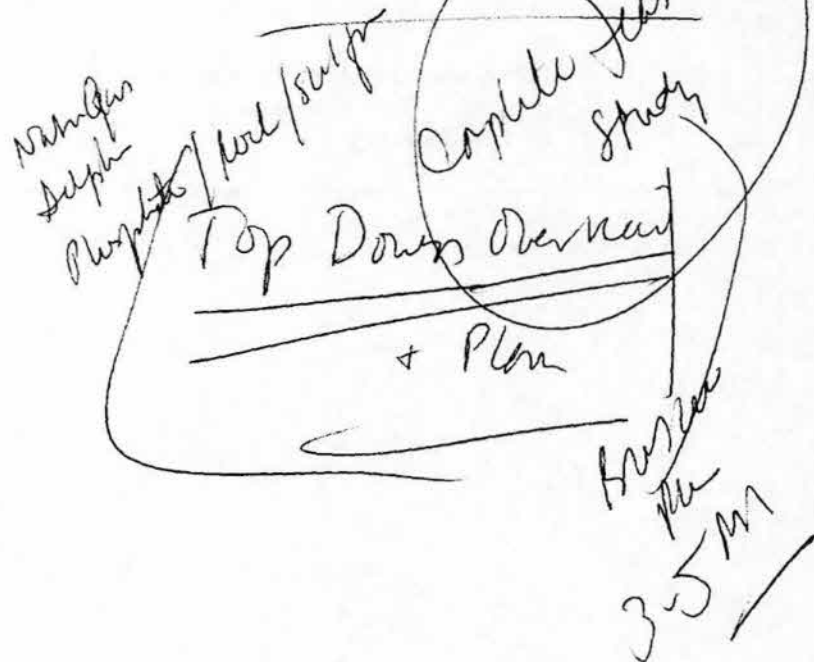
- Good collateral to use for factory



Our Plot

30m - in 1989

All inventory on product
plot from



Ministry of Industry and Mineral
Mishraq Sulphur State Company

TENDER NO. 4 / 2003

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Foreign Language

SCOPE OF WORK

3/F/2003

1. Maintaining or replacing all equipment and utilities to ensure efficient operation of the plant , in order to reach the design capacity .
2. Supplying a new CO₂ unit (capacity 180 Kg / hr).
3. The works mentioned above include re-insulating and painting of all equipment and pipes of the unit .

Note :

Offers should include all items mentioned in the technical specifications of the tender

Foreign Language

600,000 tons x 52 US each =

/ Buyer Leads + Labor

Foreign Language

Director General

(b)(6)

From: (b)(6)
Sent: Tuesday, March 02, 2004 6:45 PM
To: (b)(6)
Subject: FW: Documents for Noori Hattab

Dear (b)(6)

Thanks for taking time to talk with me yesterday regarding the Mishraq State Sulphur Company tender process. Following up on your request for further information, I'm forwarding this first of several e-mails intended to provide you with additional background on this process. Attached to this e-mail was Crescent Technology's first proposal to MSSC following our August, 2003 meeting with MSSC management and Ministry personnel in Amman. We "hand delivered" this document to MSSC using the offices of a business associate in Amman, Khalil Itani.

MSSC, the Akashat phosphate rock mine and the Al Qaim fertilizer plant provide the basis for a sound and profitable fertilizer sector in Iraq both for the home market and export. Crescent, with substantial experience designing and running sulphur mines, purification plants, phosphate rock mines and phosphate fertilizer plants, feels it has substantial value to add in reestablishing the viability of this important agricultural sector. We would appreciate any advise you may have regarding how to successfully provide our services in an efficient and effective way.

Best regards,

(b)(6)

VP Business Development
Crescent Technology

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Monday, September 22, 2003 5:57 PM
To: (b)(6)
Cc:
Subject: Documents for Noori Hattab

(b)(6)

Attached are the documents we discussed this morning, which we would appreciate your getting to Noori for us. I'll call tomorrow to discuss recent developments.

Best regards,

Tip <<Iraq Proposal September 2003.pdf>> <<Mishraq MOU - Sept. 22 2003.DOC>>

3/5/2004

MEMORANDUM OF UNDERSTANDING FOR PROFESSIONAL SERVICES

BY AND BETWEEN

MISHRAQ SULPHUR STATE COMPANY

AND

CRESCENT TECHNOLOGY INTERNATIONAL, INC.

EFFECTIVE AS OF

October 1, 2003

MEMORANDUM OF UNDERSTANDING FOR PROFESSIONAL SERVICES

This Memorandum of Understanding for Professional Services ("MOU"), is made and entered into as of October 1, 2003, by and between Mishraq Sulphur State Company, a corporation organized and existing under the laws of Iraq which is owned by the Government of Iraq ("MSSC"), and Crescent Technology International, Inc., a corporation organized and existing under the laws of the State of Delaware, USA ("Consultant").

Recitals

WHEREAS, the Government of Iraq has given MSSC responsibility for the production, processing and sale of sulphur from sulphur deposits located near Mosul, Iraq;

WHEREAS, MSSC utilizes frash mining technology to produce a high bitumen dark sulphur from these deposits;

WHEREAS, MSSC desires to improve the efficiency of and reduce the pollution resulting from its frash mining operations, to improve the efficiency of and expand its sulphur purification operations to enable MSSC to purify a larger quantity of dark sulphur into higher value bright sulphur, to improve the efficiency of and expand its sulphur marketing operations, and to otherwise improve its sulphur related operations;

WHEREAS, Consultant has broad experience in (a) frash mining, including methods of controlling pollution resulting therefrom, (b) in the purification of dark sulphur to produce bright sulphur by various technologies, including submerged combustion distillation, (c) in the marketing and transportation of dry, pelletized and molten sulphur, and (d) all other aspects of conducting an integrated sulphur business;

WHEREAS, MSSC desires to have Consultant review the current status of, and make recommendations with respect to, MSSC's physical facilities, the frash mining of MSSC's sulphur deposits, the markets in which MSSC's sulphur may be expected to be sold and the means by which such sulphur may be transported to such markets, and other aspects of MSSC's business as agreed by MSSC and Consultant from time to time;

WHEREAS, Consultant has submitted a proposal to MSSC which describes certain services which Consultant is capable of performing for MSSC; and

WHEREAS, MSSC desires that Consultant should proceed with the performance of certain preliminary services even before a definitive contract has been prepared and signed by MSSC and Consultant, and Consultant is willing to perform certain preliminary services, as described hereinafter, on the basis provided in this MOU, pending the completion and signing of a definitive contract.

NOW, THEREFORE, MSSC and Consultant agree as follows:

ARTICLE I - SERVICES: After the effective date of this MOU and during the term hereof, Consultant shall commence to perform those services described in Sections III and IV of Exhibit A attached hereto (the "Services").

ARTICLE II - DEFINITIVE CONTRACT: MSSC and Consultant hereby agree to use their respective best efforts to reach agreement as to a Definitive Contract which embodies the principals and concepts spelled out in the Consultant's proposal to MSSC dated September 19, 2003, together with such terms, conditions and other provisions as are usual and customary for such transactions or are deemed necessary by either MSSC or Consultant as a basis for the performance of the Services.

This MOU may be amended at any time with respect to any of its provisions by the mutual agreement of MSSC and Consultant in writing. Once such Definitive Contract is signed, the Definitive Contract shall

govern all Services and the relationship between MSSC and Consultant, and this MOU shall no longer be of any effect.

Neither MSSC or Consultant shall assign this MOU, in whole or in part, without the prior written consent of the other party, which consent will not be arbitrarily refused.

ARTICLE III - EFFECTIVE DATE; TERM: This MOU shall be effective on the date on which the last event described below is fulfilled:

- This MOU has been signed by authorized representatives of MSSC and Consultant, and
- Consultant has received an initial payment of US\$500,000 against the annual fee payable to Consultant.

If this MOU has become effective as provided above, it shall subsequently terminate and expire on the first of the following to occur, unless extended by mutual agreement:

- January 1, 2004, or
- Upon execution of a Definitive Contract by MSSC and Consultant, or
- On the date any amount owed by MSSC to Consultant becomes overdue.

Termination of this MOU in any manner and for whatever reason shall not relieve MSSC of any of its obligations under this MOU, including but limited to the obligations (i) to pay Consultant the compensation earned up to the effective date of such termination plus all reasonable and necessary costs of bringing the Services to an orderly conclusion, (ii) to indemnify Consultant Group as provided in Article IV, and (iii) to respect the provisions of this MOU related to information nonuse and confidentiality.

ARTICLE IV - INDEMNITY: MSSC shall protect, indemnify, hold harmless and defend Consultant and each of its directors, officers, employees, agents, sub-consultants and sub-contractors (collectively, the "Consultant Group"), from and against any and all losses, damages, expenses (including reasonable attorneys' fees), claims, demands, suits or other proceedings alleging bodily injury or illness, including death at any time resulting therefrom, loss of services or wages or loss of or damage to property in any way arising out of or in connection with the performance of the Services under this MOU, brought against any party within Consultant Group by any person or legal or governmental entity whatsoever. MSSC hereby expressly waives any right which it might otherwise have had to assert a defense based upon sovereign immunity or otherwise related to the fact that MSSC is owned by the Government of Iraq.

ARTICLE V - CONFIDENTIALITY: MSSC hereby agrees to maintain in strict confidence and not to disclose any non-public, confidential and/or proprietary information of Consultant pertaining to the Services provided hereunder which is disclosed to MSSC and which is identified as being confidential and/or proprietary by Consultant ("Confidential Information"); provided that MSSC shall have the right to disclose Confidential Information to its employees or others who have a need to know and who agree to equivalent terms and conditions pertaining to non-disclosure as contained herein.

ARTICLE VI - COMPENSATION: For Services provided hereunder, MSSC shall pay Consultant the compensation stipulated in Section V of the Consultant's proposal. Unless otherwise agreed by MSSC and Consultant, all such payments shall be made by wire transfer to an account to be designated by Consultant at the time this MOU is signed.

Consultant shall maintain a system of internal controls sufficient to provide assurance that all activities related to this MOU are properly recorded in its books and records. MSSC shall have reasonable access to and the right to audit and copy as desired such books, documents, papers and accounting records of Consultant which pertain to transactions under this MOU as MSSC may reasonably require in order to verify the correctness of such transactions.

ARTICLE VII - FORCE MAJEURE: Neither MSSC or Consultant shall be liable for any failure or suspension of performance hereunder (except that failure to make payments when due shall not be

excused for force Majeure) caused by, or resulting, in whole or in part, from Acts of God, acts or failure to act of governmental authorities, fire, flood, earthquake, war, insurrection or other hostilities, interruption of the mails or other means of communication, interruption of transportation, strikes or other labor disputes, or any other cause beyond the reasonable control of the affected party.

In the case of the occurrence of any such circumstance, the affected party shall notify the other party in writing not later than 14 days after the occurrence of such circumstance by submitting a certificate issued by one of its officers. Failing to submit the certificate within 14 days, the affected party shall not be entitled to submit its claim under this Article VII unless the other party agrees in writing.

ARTICLE VIII - COMPLIANCE WITH LAWS: MSSC and Consultant each hereby represents and warrants to the other party that it and all persons acting on its behalf will comply with all applicable laws, rules and regulations in the performance of its obligations under this MOU.

ARTICLE IX - WAIVER OF LIABILITY: In addition to MSSC's obligation to indemnify Consultant as provided in Article IV, MSSC also agrees that in no event shall Consultant be liable to MSSC, the Government of Iraq or any person or entity claiming under or through MSSC or the Government of Iraq for any economic, financial or consequential loss or damage of any kind or nature, all such claims being hereby waived. The foregoing waiver of liability shall apply regardless of whether recovery is sought based on breach of contract, negligence, strict liability or any other legal or equitable theory,

ARTICLE X - GOVERNING LAW; DISPUTE RESOLUTION: This MOU shall be governed by and interpreted in accordance with the laws of the State of New York, exclusive of any provision of New York law which would indicate or require that the law of a different jurisdiction be applied.

Any dispute arising under this MOU which cannot be settled amicably by the parties shall be resolved by arbitration. Arbitration proceedings shall be in accordance with the rules of the International Chamber of Commerce before a panel of three arbitrators, with all written and oral submittals to be in the English language and all hearings to be held in New York, New York, USA.

IN WITNESS WHEREOF, the parties hereto have executed this MOU as of the day and year as written below.

MSSC

Signature: _____

Name: _____

Date: _____

Consultant

Signature: _____

Name: _____

Date: _____

EXHIBIT A – Consultant's Proposal

Consultant submitted a proposal entitled "Proposal for Consulting Services" dated September 19, 2003 to Mishraq Sulphur State Company stipulating a general work plan, a Plan of Action and proposed Compensation. The Proposal is attached hereto as Exhibit A.

(b)(6)

From: (b)(6)
Sent: Tuesday, March 02, 2004 6:59 PM
To: (b)(6)
Subject: FW: Closing date of rehabilitation sulphur purification

Dear (b)(6)

Following is the first extension of the bid process.

(b)(6)

-----Original Message-----

From: qussay salim (b)(6)
Sent: Tuesday, December 16, 2003 1:20 AM
To: (b)(6)
Cc: (b)(6)
Subject: Closing date of rehabilitation sulphur purification

Dear Sirs,

We would like to inform you that we have extended closing date of tender of rehabilitation of Sulphur Purification Unit up to **January 20, 2004**

We are soory to inform that we could not extend it after that date due to our circumstances.

We hope to do your best and send your offer on time.

Best regards.

Noori Hattab
Director General
Mishraq Sulphur State Company

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Protect your identity with Yahoo! Mail AddressGuard

3/5/2004

(b)(6)

From: (b)(6)
Sent: Tuesday, March 02, 2004 7:01 PM
To: (b)(6)
Subject: FW: last turn extension

Dear (b)(6)

Second extension of Tender process.

(b)(6)

-----Original Message-----

From: qussay salim (b)(6)
Sent: Sunday, January 18, 2004 1:26 AM
To: (b)(6)
Cc: (b)(6)
Subject: last turn extension

Dear Sirs,

we would like to inform you that we have made a last extension for tender of rehabilitation of Sulphur Purification Unit .The new closing date will be on **SATURDAY FEBRUARY 21 , 2004 .**
 We confirm that this is the last extension for this tender . Please reply this e-mail .

Best regards.

Noori Hattab
 Director General
 Mishraq Sulphur State Company

To:
CC:

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3/5/2004

(b)(6)

From: (b)(6)
Sent: Tuesday, March 02, 2004 7:08 PM
To: (b)(6)
Subject: FW: last turn extention

(b)(6)

Crescent's response to second extension in effort to clarify the situation.

This is the last of the e-mails regarding background. Crescent and its partner Tekfen have entered our bid timely for the refurbishment of the sulphur purification unit and awaits word from MSSC regarding its judgements about the bids it received. We understand that a Polish company an Iraqi company and another US company also submitted bids for this work.

I'd be pleased to provide additional information if it would be helpful to you and look forward to talking with you after you have had a chance to get your feet on the ground.

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Monday, January 19, 2004 9:16 AM
To: 'qussay salim'
Cc: Jolly, Jatinder; (b)(6) 'Yener Aydin'
Subject: RE: last turn extention

Dear Sir:

Thank you for your message regarding the new closing date for the tender regarding the rehabilitation of the Sulphur Purification Unit. We hereby confirm receipt of this information. For your information Crescent and Tekfen, absent prior official information regarding a change in the closing date, have been working diligently to meet the January 20 deadline, but will withhold our bid in keeping with this extension.

Crescent and Tekfen look forward to working with you and your team both on this project as well as other work required to restart sulphur production at Mishraq. We reconfirm our conviction that technology employed at our West Texas sulphur mine can be very helpful to both the economic restart of Mishraq and the solution of certain environmental challenges that MSSC has previously discussed with us.

Regards

(b)(6)

Crescent Technology
Osman Birgili
Tekfen Construction and Installation Co., Inc.

-----Original Message-----

From: qussay salim (b)(6)
Sent: Sunday, January 18, 2004 1:26 AM
To: (b)(6)
Cc:
Subject: last turn extention

Dear Sirs,

we would like to inform you that we have made a last extension for tender of rehabilitation of

3/5/2004

Sulphur Purification Unit .The new closing date will be on **SATURDAY FEBRUARY 21 , 2004 .**

We confirm that this is the last extention for this tender . Please reply this e-mail .

Best regards.

Noori Hattab
Director General
Mishraq Sulphur State Company

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3/5/2004

(b)(6)

From: (b)(6)
Sent: Monday, March 01, 2004 4:46 PM
To: (b)(6)
Subject: RE: Question

(b)(6)

KBR doesn't have any numbers yet...but, have said all the concrete they buy directly now is local concrete by the truck load, i.e. ready mixed. All of their refurbishment effort is subcontract effort and would supplies would be used provided by the subcontractor which are primarily local, so I will assume local supply.

Regarding a contract provision requiring local purchase of materials from local sources, that can be done on future contracts. It will be difficult to oversee, but the requirement driver can make the rules as long as they don't give one source an unfair advantage or disadvantage, which I can't see happening.

General William (USA ret) the facilities guy for the DoS, said that the building of the embassy complex and the associated upgrades to this place will be done with local suppliers to the extent possible. Major walls and building complexes, brick...

I know this isn't much help, sorry All I could get.

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Monday, March 01, 2004 8:37 AM
To: (b)(6)
Subject: RE: Question

Can we require in our contracts that materials, if available and meet all quality standards, are purchased locally? At least for the first year until we reach some stability? It would be similar to incentivizing for Iraqi hires.

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Monday, March 01, 2004 8:34 AM
To: (b)(6)
Cc: (b)(6)
Subject: RE: Question

(b)(6)

Let me follow up with KBR this morning..having not heard anything, I am not hopeful that they'll have anything of value. They are doing much major building. The new embassy complex will be a big deal right here in Baghdad.

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Monday, March 01, 2004 8:28 AM

3/5/2004

To: (b)(6)
Subject: Question

Good morning (b)(6)

As a follow up to our conversation, were you able to get any information from your engineering folks on an estimate of concrete/cement that will be consumed in the next year or so as a result of the Supplemental? I really need that today if possible. A broad estimate would be terrific.

(b)(6)

3/5/2004

(b)(6)

From: firas samir (b)(6)
Sent: Monday, February 23, 2004 7:00 PM
To: (b)(6)
Subject: RE: interference

I was told that the Commanders name was Col.Hates and he left back to the US.
The name of the DG is Noori Hatab.
His Thuraya phone is 0088216-67771153
His deputy has a thuraya phone too :0088216-61130013
The E-Mail of the Company is (b)(6)
I will try to provide you with a contact person at the Military unit.
The company is not operating but it has a big amount of stock (about 675 thousand Tons).
Sir, do you have any information about some companies from MEC that are going to transfer to MIM.
please provide me if you know any thing about this issue.(Mr.Taha is Requiring).
Regards / Firas

(b)(6) wrote:

Firas:

Get the name of the military person that "forced" the signature. I can get to the bottom of it from there.
Any other information would be helpful such as the name of the company, the name and contact information of the DG.

I didn't think Al-Mishraq State Company for Sulfur was even operating?

Thanks

(b)(6)

-----Original Message-----

From: firas samir (b)(6)
Sent: Monday, February 23, 2004 1:21 PM
To: (b)(6)
Subject: interference

Dear Sir,

I have this issue about Al-Mishraq state Company for Sulfur Industries.
The Company wanted to build a fence and a number of auditory towers for the company.
The Coalition commander at that place forced the DG of the company to sign a contract with an Iraqi contractor neglecting all ministerial rules and CPA coordinators. The amount of the Contract was more than half a Million USD which is more than ten times of its actual price. Also the company was forced to pay 25% of the total amount for the contractor to start the work. And without any guarantees.
I will try to collect more information about this issue and provide you with a contact person (E-Mail) at the Military unit.
Regards / Firas

Do you Yahoo!?

3/2/2004

Continental Ore Corporation
570 Lexington Avenue - 33rd floor
New York, N.Y. 10022

Phone: (b)(6)
e-mail: (b)(6)

Telefax: (b)(6)

February 20, 2004

L. Paul Bremer, Administrator
Front Office /Coalition Provisional Authority
APO, AE 09335

Re: Sulfur / Iraq
Al Mishraq Sulfur Industry Company

Dear Mr. Bremer:

We would like to present for your consideration a very preliminary and basic proposal to re-constitute Iraq's Sulfur industry, in particular, the Al Mishraq Sulfur Industry Company.

First of all, we should present our *bona fides* for such a project by telling you that we have been in the Sulfur business for more than fifty years, and were responsible for the development of marketing concepts for the Mexican Sulfur production (1950s), as well as for Shell of Canada (1960s), and have been active in the Sulfur trade ever since.

As we see it, a crucial element in this endeavor would be to involve the surrounding populace in this enterprise as shareholders, so that they have a direct stake in its success, and to minimize the likelihood of continued destruction/looting of the company's assets.

Of course, initially a study would have to be made to determine how to rehabilitate this operation including:

- damage assessment
- what new equipment is needed ?
- which local managers/employees would participate ?
- what are the logical markets for the Sulfur ?
- what are the logical delivery routes to access these markets ?
- etc., etc.

Because of our background, we believe that we could arrange for the suitable technical organizations to assist Iraq in becoming a world-class supplier of Sulfur to the entire region.

... / ...

L.Paul Bremer, Administrator
Sulfur / Iraq
February 20, 2004
Page 2

There is a considerable market in the area, amounting to approximately 2.5 million tons annually, which we to a certain extent have supplied in the past, from as far away as Canada.

There is much potential here, but much work needs to be done. We feel that our knowledge and experience in the Sulfur trade would be very helpful in developing this industry for Iraq.

We welcome the opportunity of discussing this matter with you or anyone you would delegate to do so. In the meantime, we would very much appreciate your putting us in direct contact with the appropriate authority (Ministry of Industry & Minerals ?) who would handle the Al Mishraq Sulfur Industry Company, or, for that matter, the appropriate authority handling the approximately 500,000 tons of recovered Sulfur (from oil and gas operations) which we understand are also currently stockpiled in Iraq. Aside from contact information, it would be most helpful if we could also have the following information:

- chemical and physical properties of the Sulfur
- quantities and locations of the Sulfur

Please let us know how we should proceed to further this concept.

Sincerely yours,

CONTINENTAL ORE CORPORATION

(b)(6)



State Owned Enterprises- Company Overviews
OCPA - Ministry of Industry & Minerals

Note: All currency figures are in 000's of Iraqi Dinars unless otherwise noted.

1. General Information

Company Name:	Al Mishraq Sulfur Industry Company
Sector	Chemical
Brief Description	Started in 1970, the Company extracts and refines Sulfur from the largest sulfur deposit in the world. Sulfuric acid used in myriad industries worldwide. Aluminum sulfate used for water treatment and sulfur powder used in agriculture. Critical to local Iraqi industries.
Revenue in 2002 (Iraqi Dinars '000s)	10,000,000 (Extremely depressed due to below market prices)
# of Employees	1,278
Annual Employee Salaries & Bonus	1,500,000
Headquarters Address	Al Mishraq (53 KM south of Mosul, 25 KM north of Gaeta)
Director General Name	Talal M. Hassan Al-Nakash
Telephone #	
Fax #	
Email Address	
Banks Used	

2. Company Highlights

Largest proven supply of sulfur in the world worth \$25B USD at market rates (500 million tons).
 Cost of production of only 20% of current market prices of \$50-60/ton USD (subsidies not yet quantified).
 Open market value of domestic demand expected to grow to \$25M USD per year. Export market much larger.
 Security situation is terrible, with local villagers (employees) raiding facilities on nightly basis. Everything is getting looted, even pipes.
 At one point, over 1,000 people were actively looting the facilities. Less now that most everything has already been stolen.
 In response to mgmt request for them to return to work, employees destroyed loading equipment.
 Need to fix looting damage to begin operations. Cost: \$15M USD, and growing.
 Improving capacity will cost an additional \$20M to \$30M USD.
 Current inventory of finished product of 800K tons (ready for sale) valued at at least \$40M USD, enough to fund complete rehabilitation of plant.
 Inventory of 400K tons recently torched in act of arson (used to have 1.2M tons). Not only was inventory destroyed, but local wheat crop (worth \$40M USD by one estimate) also polluted and unusable.
 While huge inventory is good for value-sake, it means there is no immediate demand pressure to restart operations.
 Allocated \$500K USD for 2H 2003 operating budget and provided with zero mw off of grid. Money will be used for equipment to sell finished inventory and for security measures. No electricity provided since Company is at least one year from restarting.

3. Facilities

<u>Name</u>	<u>Province</u>	<u>City</u>	<u>Grid</u>	<u>Damage %</u>	<u>Power Needs</u>
Sulfur Production Line	Ninevah	Mishraq		80%	15 mw for all
Aluminum Sulfate Plant	Ninevah	Mishraq		50%	
Sulfur Power Plant	Ninevah	Mishraq		50%	

#4
 Value of All Plant & Equipment Before War, and Original equipment purchased in the 1970's and 80's for a total of \$80M USD. Water and steam
 Initial Purchase Dates and Prices for Major boilers are in terrible shape, due to aging and looting. Sulfur purification unit was build by Freeport
 Items Co, a US company, in 1990 for \$40M USD.

4. Products

<u>Product Name</u>	<u>Unit Measurement</u>	<u>Design Capacity</u>	<u>Available Capacity</u>	<u>2002 Production</u>	<u>2002 Revenue</u>
Sulfur Powder	tons	26,000	20,000	8,000	
Sulfur	tons	820,000	400,000	300,000	
Aluminum Sulfate	tons	48,180	35,000	7,000	
Description of Importance of Products to Other Iraqi Industries	Needed in water treatment, agriculture and various industrial manufacturing processes. However, since so much finished product is in inventory, immediate resumption of production is not necessary to satisfy demand.				

5. Customers

<u>Customer Name</u>	<u>2002 Revenue</u>	<u>Subsidized (Y/N)</u>	<u>Products Sold to Customer and Unit Pricing</u>
MIM SOEs		Y	
Agriculture Ministry		Y	
Water Authority		Y	
Jordan		Y	\$21 USD / ton
Syria		Y	\$29 USD / ton

6. Suppliers

<u>Supplier Name</u>	<u>2002 Purchases</u>	<u>Subsidized (Y/N)</u>	<u>Products Purchased and Unit Pricing</u>
No raw materials used, except for water and electricity. Only suppliers are for equipment			
Freeport Co. (US)	Zero	Yes	Bought purification unit for \$40M USD in 1990.
Current Payment Terms From Suppliers	Not applicable.		

Company Name:

Al Mishraq Sulfur Industry Company

7. Imports & Exports

2002 Import Markets for Raw Materials	None
Potential Import Markets in Free Market	None needed, except for equipment.
2002 Export Markets for Finished Products	Jordan: 300K tons currently under contract at 30% market price. Syria: 125K tons at 50% market price. Both need to be renegotiated.
Potential Export Markets in Free Market	Entire world. Domestic demand not enough to justify production rates and supply. Therefore, export market is critical to Company success.

8. Competition

Description of Competitive Situation	None in Iraq except for sulfur recovered from oil, which Company handles but Oil Ministry technically owns. 500K tons of recovered sulfur in inventory at Oil Ministry.
Market Share Description	Domestic market is currently 150K tons/yr, expected to triple in next few years. Company has 100% market share of Iraqi demand. Company believes total worldwide demand for sulfur is 5M tons per year.

9. Summary of War Damage & Looting of Property & Equipment

Description of Damage	\$15M USD caused by looting. Heavy damage to offices, plant and equipment. Entire facility is almost completely destroyed. Almost all pumps, motors, cables and control equipment stolen. Additional \$20M worth of finished inventory destroyed in fire.
Current Operating Status	Not operating. Needs 12 months to rehabilitate damaged property & equipment.
Immediate Property & Equipment Needs To Restart Operations	Fire fighting equipment to put out any fires caused by looters or by loading finished sulfur inventory into trucks during upcoming sales (sulfur is volatile).
Total Cost to Return to Pre-War Condition	\$35M USD

10. Inventory Status

Raw Material Status	Massive reserves.
Months of Material Supplies & Production Rate	Virtually unlimited at current production rates.
Immediate Raw Material Needs	None
Finished Products Supply (Units and Value)	Current inventory of finished product (ready for sale) valued at \$50M USD.

11. Fuel & Electricity Needs

Description of Fuel Needs	
Description of Electricity Needs	15 mw

12. Other Needs to Restart

Working Capital Needs	None until security situation is fixed. Anything purchased will be looted.
Security Needs	Security situation is terrible. Plant and equipment are spread across 17 sq km. Local villagers and employees continue to loot what little is left. Local village elders encouraged whole villages to loot facilities saying, "steal everything, the Americans will replace it all with new equipment". Need large non-local security force with authorization and willingness to shoot looters on sight.
Other Needs	Reduction in current workforce and replacement of incompetent and corrupt locals. Company only needs 60% of employees.

13. Strengths, Weaknesses, Opportunities & Threats

Description of Strengths	Massive reserves of sulfur.
Description of Weaknesses	Uneducated and undisciplined workforce.
Description of Opportunities	Rebuild and upgrade mining and refining operations to increase output for export market. Could produce 5M tons per year worth \$250M USD.
Description of Threats	Not clear how mining and production costs, without subsidies, compares to cost of extracting sulfur from oil.

Company Name:

Al Mishraq Sulfur Industry Company

14. Long Term Strategy

Description of Strategy

First, sell finished sulfur inventory and generate \$40M USD. Second, solve security problems, most likely with security force from outside local region. Third, begin reconstruction with goal of restarting operations in one year.

Potential New Products

Potential Partnership Opportunities

15. Revenue and Costs Overview

Description of How Pricing Was Set

Export prices were depressed due to embargo. Local prices were set by ministry. Sold below market rates given inexpensive production costs.

Description of Production Costs

Labor, extraction and refining, to be quantified. Unclear if extraction and refining costs were subsidized.

Potential for Profitability in Free Market

Appears to be profitable if market prices for sulfur do not collapse.

16. Financials - 2002

Income Statement

Iraqi Dinars (000's) Notes

Revenue	10,000,000	Forced to sell at below market prices.
Cost of Goods		
Gross Margin		
GM as % of Rev	0%	
Personnel	1,500,000	
Sales & Mktg		
R & D		
Fuel and Electricity		
Other Operating Expenses		
Operating Margin		
OM as % of Rev	0%	
Interest Exp		
Extraordinary Exp		
Profit Before Tax		
Taxes		
Net Income		

Capital Expenditures

2002 Total & Description of Major Purchases

Balance Sheet

Assets

Cash
Accts Receivable
Inventory
Other Current Assets
Total Current Assets

PP&E

Other Assets

Total Assets

Liabilities

Accts Payable
Other ST Liabilities
Total ST Liabilities

LT Debt

Other LT Liabilities

Total Liabilities

Total Equity

17. Financials - Projections & Current Situation

Current Situation

Amount

As of (Date) Notes

Cash in Bank
Available Bank Credit Line
Accounts Receivable
Total Assets

Company Name: Al Mishraq Sulfur Industry Company

Accounts Payable		
Drawn Bank Credit Line		
Other Debt	436,000	Jun-03
Total Liabilities		

Projections

Original 2003 Revenue Projection
Most Recent 2003 Revenue Projection

18. Historical Subsidies

Overview of Subsidization Equipment, electricity and fuel subsidies.

Amount Notes

Total MOUs received in 2002 (in US \$)
Total Bilateral Contracts in 2002 (in US \$)
Other Direct Subsidies

19. Accounting Standards

How Often Financial Statements Are Prepared
Audits Performed (Y/N) and by Who

20. Additional Information on Company on File

One page overview of site visit by Glenn Corliss, CPA MIM Advisor

21. Notes

The Company extracts sulfur from deposits 200 meters below ground by pumping hot water into the deposits and forcing liquefied sulfur to rise to the surface. Water is obtained free of charge from river abutting facilities. 14 cubic meters of water is used for each ton of sulfur extracted.

(b)(6)

From: (b)(6)

Sent: Tuesday, March 09, 2004 1:05 AM

To: (b)(6)

Subject: Sulphur / Iraq

To: (b)(6) - Senior Advisor - **Ministry of Industry & Minerals**
Coalition Provisional Authority - Baghdad, Iraq

From: (b)(6) - **Continental Ore Corporation**, New York

Dear (b)(6)

I refer to your e-message of February 23, and our reply of February 24.

In the meantime, according to the trade publications, Jordan (**Jordan Phosphate Mines Co., Ltd.**) has been receiving 800 to 1,000 tons per day of Iraqi Sulphur, by truck.

Do you have any further details on this ? Is the Sulphur from Al Mishraq, or is it from recovered Sulphur from oil and gas operations ?

We would be most interested to know about this, as well as any further information you might have been able to gather regarding the Sulphur situation in Iraq.

Thank you, and best regards.

Yours sincerely,

Continental Ore Corporation

(b)(6)

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3/9/2004

(b)(6)

From:

(b)(6)

Sent:

Friday, April 09, 2004 4:58 PM

To:

(b)(6)

Cc:

Subject:

Misraq Sulphur Plant

Ma'am

Based on the information provided, it does not appear that the Coalition could or would pay any claims for this incident.

Trying to curtail the court case and send individuals to file claims with the Coalition just so they can be denied seems like it would only serve to create more animosity in the end.

v/r

(b)(6)

----- Original Message -----

From: (b)(6)

Sent: Friday, April 09, 2004 2:07 PM

To: (b)(6)

Cc:

Subject: FW: Hello

Sir, Doesn't look like a cognizable claim under FCA. I'll check to see whether there was an investigation of any sort.

Vr

(b)(6)

----- Original Message -----

From: (b)(6)

Sent: Friday, April 09, 2004 5:04 AM

To: (b)(6)

Subject: Re: Hello

(b)(6)

Sorry for the delayed reply, I just got back from vacation.

BLUF: The sulphur fire was caused by sparks from an independent bulldozer, contracted by the plant manager, operating at the sulphur plant to fulfill a pre-war purchase order. The US had absolutely NO involvement in the fire. We provided physical security only at that time.

On another note, the court of first instance in Hammam Alil has received numerous claims against the Misraq Sulphur Plant for damage to the fire. When I last spoke to them (January), the case was proceeding IAW Iraqi procedure. In sum, the criminal investigation (a necessary precursor to civil suit under Iraqi procedure as explained to me by the judges and confirmed by 2 other lawyers) was nearly complete. Upon completion, the criminal judge will turn over the investigation to the civil judge. At the time I checked, several hundred claims had been filed in the Hammam court. There will likely be claims filed in the courts in Mbsul, Shurgat, and other areas as the smoke drifted far and wide.

That's the very short version. I can provide you much, much more if you would like.

(b)(6)

----- Original Message -----

From: (b)(6)
To: (b)(6)
Cc:
Sent: Wednesday, April 07, 2004 7:41 AM
Subject: Re: Hello

> (b)(6)

> Great to hear from you. Please send me your mailing address.

> W/r/t the sulphur plant - yes it did catch fire and burned for quite a while. There will literally acres of mountains of sulphur that burned and polluted the skies for quite some time. This was in 1st Brigade's AO and the TC for 1st BDE (Bastogne) was then-MAJ now LTC Roger Nell. I've copied him on this e-mail. I don't know what started the fire, but I do know that we used enormous amounts of Engineer assets as well as a lot of folks from 1st BDE to put out the fire, risking life and limb to control/contain/eliminate the fire. I had never heard that USGOV had any part in starting it, but LTC Nell should know.

> I'm glad to hear you're doing well and that you have a routine established now. I hope TF Olympia and the Stryker Brigade are working closer together now.
> Please be careful. Things do not look good in Iraq from over here.

(b)(6)

> ----- Original Message -----

> From: (b)(6)
> Date: Wednesday, April 7, 2004 1:32 am
> Subject: Hello

> > Sir,

> > How are you doing? How has the transition been?

> > Things here are going well. We have gotten into a routine and I think have been able to provide the command with timely, accurate advice. Nothing has blown up in our face, yet, and I am keeping my fingers crossed. COL Dwight Warren, from the Central Criminal Court of Iraq, has been increasing his taskers, which now include getting witnesses to trials in Baghdad. Because of the reduction in air assets, this has been a huge challenge, which he is totally oblivious to. They have problems even putting witnesses up for the night or getting them from CPA over to Victory but expect us to acquire 2 birds to get them halfway across the country. We are still working that.

> > I was recently asked a question about a sulphur plant that burned last summer. Do you remember that event? Chris Buchanan at CPA is being told that some people up here are in Iraqi civil court and want to file suit against the US govt. Do you remember what caused the fire? Were we involved? Anything you can remember or docs you have would help.

> > Again, thanks for all your help getting me up to speed. It has made my job much easier.

> > Hope this finds you and your family doing well. If there is anything you need from me, please don't hesitate to ask.

(b)(6)

INTERAVENOUS PLANT

The existing plant which damaged were able to produce many types of (I.V) solution , it was built in 1981 & starting production in 1983 with capacity of (12 000) bag (500 c.c / day) & still in the production . till April 2003 .

The country yearly need from (I.V) solution approx. (25) million bag (500 c.c) while the yearly production of damaged line (3.5 million bag 500 c.c / yearly) . This mean that extra need equal to (21.5 million bag / yearly) which is imported from out side. So, due to this information we put extends to import new plant with ~~newly~~ cap. Of the damaged plant to be installed in stead of it with new technology, completed with quality control Laboratory, Boiler , Disteller , Comp..... etc .

The quality control in proceses or as finished produced follow USP . / BP pharmacopy, & the type of product is as follow:

- 1) 0 . 9 % NaCl (Normal Saline)
- 2) Glucose Saline Adult .
- 3) Glucose Saline Infant .
- 4) Dextrose Solution (5% , 10% , 20% , . . . ect)
- 5) Mannitol Solution (10% , 20%)
- 6) Ringers Solution .
- 7) Ringers Lactate Solution .
- 8) Irrigation Solution (1.5 %) glycine .
- 9) Intrapertoneal Dialysis Solution (A.B.C)
- 10) Plasma Substitute (Dextraneva N. Dextrahera D)
- 11) Cardio Plegic Solution .
- 12) Other depending upon the request Of Health Ministry .



Cost Evaluation / year

- 1) Cost of production line with laboratory apparatus and spare part *for () years*
(4 650 000) \$.
- 2) Civil work and maintenance of damaged place's (150 000) \$.
- 3) Raw material (P.V.C. sheath , store chemical ..ect) 1 000 000 \$.
- 4) Labour in different level , (3 00 000) \$.
- 5) Miscellaneous cost (50 000) \$.
- 6) Bulding cost : (700 000) \$.

Fixed Cost Yearly

- 1) machine depretiation (4 650 000 X 10% = 465 000 \$).
 - 2) Building depretiation (150 000 X 10% = 15 000 \$).
 - 3) Insurance = $\frac{25\,000\$}{\text{year}}$
- | | |
|-------|------------|
| Total | 505 000 \$ |
|-------|------------|

Variable Cost Yearly

- 1) Raw material (chem & packing ~~▲~~ material) 1 000 000 \$
 - 2) Labour 300 000 \$
 - 3) Miscellaneous 50 000 \$
-
- | | |
|-------|--------------|
| Total | 1 350 000 \$ |
|-------|--------------|

So total Yearly cost:
= Fixed cost + Variable cost
= 505 000 + 1350 000
= 1 855 000 \$

So bag cost = Total Yearly Cost / Production .

$$= 1\,855\,000 / 4\,200\,000 = 0.44 \$$$
$$= 44 \text{ cent}$$

* Planned selling price

(Import price = 80 cent)

So the value of Total production to be soled :

$$= 4\,200\,000 \times 0.8 = 3\,360\,000 \$$$

Yearly Benefit ;

$$\begin{aligned} &= \text{Soled Value} - \text{Yearly cost} \\ &= 336\ 0000 - 1\ 855\ 000 \\ &= 1\ 505\ 000 \$ \end{aligned}$$

Period of regain of capital :

$$= \frac{\text{Machinevalue} + \text{Depretiation of machined\&bulding} + \text{Building value} + \text{yearly intrest}}{\text{Commercial profit}}$$

$$= \frac{4\ 650\ 000 + 480\ 000 + 150\ 000 + 1\ 425\ 000}{1\ 505\ 000}$$

$$= \frac{5.705\ 000}{1\ 505\ 000} = 3.855$$

Adapted to (4) years

Total for value and information needed :

1- Raw Material Yearly (chem + filling + packing material)	1 000 000 \$ Yearly .
2- Miscellneos Yearly	50 000 \$ Yearly .
3- Soled value Yearly	3360 000\$ Yearly .
4- Production Capacity	4 200 000 \$ Bag 500 C . C / year.
5- Labours Salory	300 000 \$ / yearly .
6- Bag Price	0.8 \$ / year
7 - Filling & packing material	420 000 \$
8- Chemical Material	580 000 \$
9- Fixed cost	505 000 \$
10- Variable Cost	1 350 000 \$
11- Bag Cost	0 . 44 \$
12- Yearly Benefit	1505 000 \$

Report about the Economic Benefit for Intravenous – Injected Fluids Production & Filling

It must be need to import a complete line according the country needs for this material and because this is the only factory in the country which had been destroyed completely during the looting , the production machine could not be repaired so (all productions machine and laboratory and most apparatuses) that could compliance with the production process totally and with capability (4 200 000) package yearly and with modern technology . so it must be ready for production within the year this capability do not fulfillment more than 20% from the country need which about 25 million package yearly .

1)The expecting need and the capability production of project .
The country need for 25 million package yearly and because the factory designed to produce about 4 million annually . So it must focus on this capability to comply with other apparatuses and with production building because this new factory . The other building will be repair i.e. the capability of project will be (4,200,000) package annually .

2)Summary about the levels of production .

- a) Stage of productions the solution and package .
- b) Filling
- c) Checking and enfolded stage .

3)Investor capital include .

- a) The laboratory service and productions machine and spare part cost / 4,650,000 \$.
- b) Building & Project it present now but it need for repairing and rehabilitation cost 150 000 \$. The cost of building & project estimated about 700 000 \$ on the base value of \$ pluse the cost of maintenance so the total value of building will be 850 000 \$ after addition the cost of rehabilitation .

4)operating capital

- a) Raw material include the chemical , packing & enfolded materials and its cost about one million \$ /_y on the base that

420 000 \$ for packing and enfolded and 580 000 \$ for chemical materials.

b. Worker, it cost about 300 000 \$ yearly according the number now.

c. Operating cost, it cost about 50 000 \$ because the machines are new and doesn't need for maintenance .

The annual production cost :

1- Machines exterminated $4\,650\,000 * 10\% = 465\,000$

2- Building exterminated $150\,000 * 10\% = 15\,000$

3- Insurance of the machine from the fire it estimated about 25 000 \$, so the total cost will be 505 000 \$.

4- The annual changeable cost :

a. The value of raw materials, compliment and helping material 500 000 \$ / 6 month

b. Working wage 150 000 \$ / 6 months

c. Operating cost 50 000 \$

Total 700 000 \$ / 6 month

**THE STATE
COMPANY FOR
DRUG INDUSTRIES
& MEDICAL
APPLIANCAS**

**REPORT
ABOUT THE ECONOMIC BENEFIT
AMPULES PRODUCTION PROJECT IN
NINAVAH DRUGS
FACTORY**



**COMITY OF RECON
CONSTRUCTION
COMPANY**

INTRODUCTION

The ninavah drugs factory had been designed to be the ampoules department one of its main departments that produced (100) million ampoules yearly but the works and production be late in this department till 2002 when advised us to modification the production hall to fitness with the machines that intended to import it .

After the war the demands of opening this department it be very necessary so we choice the (IMA) company offer which is Italy company because it is the best offer in the tender and contain two line each line produce (200) ampoule / minute for three different size (1,2,3cc) for total amount (3,614,848) USD. the attribute of the economic benefit for this department that the building is completed approximately and the service apparatus which supplying the department by service are also complete and the department will starting production if the production machines exist . some of these machines exist already like the machine of enfold . and vessel preparation

Hereby we attach the report about the economic benefit for ampoules department constructions of project .

With best regards.



1. The fixed cost comprise

- a. Depreciation of machines
- b. Depreciation of buildings
- c. Machines insurance

Depreciation of machines = $10\% \times 3.615.000 = 361,500$ USD

Depreciation of buildings = $10\% 100.000 = 10000$ USD

Insurance about the machines = 3500 USD

The total fixed cost (374.500) USD

2. The changeable cost and comprise

- a. Workers wage = 240 000 USD
 - b. Raw material (glass ampoule, chemicals , enfolding and packaging material 1300 000 USD
 - c. Industrial cost 50 000 USD
- TOTAL = 159 0000 USD

Total amount of (fixed cost + changeable cost)

$$= 374500 + 159\ 0000$$

$$= 1964000 \text{ USD}$$

One ampoule cost = $1964000 / 100000000 = 0.01964$ USD /

ampoule = 1.964 cent

The planned price for selling one ampoule is = 7 cent

The commercial benefit = value of selling – total annual cost selling

Value = 100,000,000 x 7 cent = 700,000,000 cent

Commercial benefit = 7,000,000 – 1964000
= 5036000 USD

the period of regain of capital = machines value +
deprecation of buildings and machines + yearly interest

= 3615000 + 361500 + 100000 + 10000 + 340000

= 4426500 USD

So the period = 4426500/ 5036000 \simeq one year

The demand loan and the way of payment

The necessary loan is about 4,165 848 USD to cover

- a. 3614848 USD machines**
- b. 491000 USD raw material for three months**
- c. 60000 USD salary for 3 months**

Total 4165848 USD



ITALIAN JOINT TASK FORCE IRAQ
-G5-
TEXTILE FACTORY BELONGING FROM MINISTRY OF
INDUSTRY

SITUATION OVERVIEW

In the industrial area of Nasiriyah, Dhi Quar province near by the aluminum plant is located a big textile factory for the production of wool blankets and wool for man, woman and child clothes, the position is PV198 323.

This factory was employing 900 workers and the new director is Eng. Jamil Abdul Kadem Nasser.

The factory was build by the Italian company General Impianti in the 1973 from that date other machines and equipment more modern was been installed and integrated in the process.

The factory is divided in three process areas, the first is the treatment, cleaning area to prepare the wool and mix it with polyester or rayon producing a mixed fibre of 55% of wool and 45% of synthetic.

In this area a wool washing and drying line is installed working with water at different temperature and steam.

27 machines Sant'Andrea di Novara for mixing the fibres.

1 mixing machine to mix wool with rayon, Rolando Biella.

4 spinning machines Società per la Costruzione di Macchine Tessili Arezzo, 1976, another Befama equivalent.

3 lines at 6 rows 2 stadiums for spinning.

4 Polish machines, two destroyed installed in 2001, Befamatex Belmatex.

The second is the looming area for the cloth production of cloth for blankets and clothing.

10 looming machines Somet 828/C.

21 looming machines Somet Staubli for wool blankets.

45 looming machines Rossi for clothing cloth.

2 spooling machines Schlafhorst Germany with automatic control.

8 looming machines Sulzer Ruti Switzerland for clothing cloth.

4 spooling machines Somet for big spools.

Third area is the finishing ones, is the most damaged and some machines to hemming the blankets was looted.

2 finishing machines to improve the cloth quality Mario Crosta Busto Arsizio.

2 washing and 2 drying machines Alea It.

Chemical lab destroyed.

Dye plant destroyed.

Quality control lab looted and destroyed.

Services and auxiliary plants:

OPERAZIONE ANTICA BABILONIA

G-5

Water treatment plant, looted and in bed condition, due to that the textile factory cellar is completely flooded.

Compressed air plant, one compressor destroyed the other in bed conditions.

Spare parts store completely fired and destroyed.

Steam generating plant, three boilers, some motors and pumps are looted.

Pumping station looted and flooded, all the main electric motors are under the water that means destroyed.

Offices, canteen spoiled of everything including doors and windows.

Electrical distribution in good condition but they need more power.

Lighting system destroyed and looted.

Air conditioning system in very bad conditions.

Conclusions:

The majority of the machines are generally in good condition and they were working just before the war, they lack of spare parts due to the total firing of the store.

The auxiliary plants and structures are in bad conditions and severely damaged or looted.

No availability of raw material.

Electric power can be increased at the conclusion of old Nasiriyah south substation transformers installation (one/two week).

Actions:**First step**

Transfer the payment location and responsibility from Baghdad to Nasiriyah under Brigade and CPA supervision.

Speak with the manpower to motivate and focalise the activity of reconstruction.

Second step

Make a budget and time table together with the plant managers to allocate money for cleaning the plant external and internal working areas, cleaning and maintain the mechanical equipment and machines, drain all the water from the cellar, evacuate all the debris, paint the walls and fix new doors and windows.

Rehabilitate the lighting system and install some furniture for offices and archives.

Third step

Call and organise visit of possible investors or donors to finance the rehabilitation of the production department and laboratories, investigate with the CPA the possibility for privatisation.

SOLICITATION, OFFER AND AWARD		1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 700)		RATING	PAGE 1 OF 37 PAGES		
2. CONTRACT NUMBER	3. SOLICITATION NUMBER DABV01-03-R-0035	4. TYPE OF SOLICITATION <input type="checkbox"/> SEALED BID (IFB) <input checked="" type="checkbox"/> NEGOTIATED (RFP)	5. DATE ISSUED	6. REQUISITION/PURCHASE NUMBER FSR-00031 & 35			
7. ISSUED BY CPA - Contracting Activity Republican Presidential Compound Baghdad, Iraq, APO AE 09335		8. ADDRESS OFFER TO (If other than Item 7) CODE W910U1					
NOTE: In sealed bids solicitations "offer" and "offeror" mean "bid" and "bidder".							
SOLICITATION							
9. Sealed offers in original and _____ copies for furnishing the supplies or services in the Schedule will be received at the place specified in Item 8, or if handcarried, in the depository located in _____ until 05:00 local time 30 Dec 03 (Hour) (Date)							
CAUTION - LATE Submissions, Modifications, and Withdrawals: See Section I, Provision No. 52.214-7 or 52.215-1. All offers are subject to all terms and conditions contained in this solicitation.							
10. FOR INFORMATION CALL:	A. NAME (b)(6)						
11. TABLE OF CONTENTS							
(X)	SEC.	DESCRIPTION	PAGE(S)	(X)	SEC.	DESCRIPTION	PAGE(S)
PART I - THE SCHEDULE				PART II - CONTRACT CLAUSES			
<input checked="" type="checkbox"/>	A	SOLICITATION/CONTRACT FORM		<input checked="" type="checkbox"/>	I	CONTRACT CLAUSES	
<input checked="" type="checkbox"/>	B	SUPPLIES OR SERVICES AND PRICES/COSTS		PART III - LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACH.			
<input checked="" type="checkbox"/>	C	DESCRIPTION/SPECS./WORK STATEMENT		<input checked="" type="checkbox"/>	J	LIST OF ATTACHMENTS	
	D	PACKAGING AND MARKING		PART IV - REPRESENTATIONS AND INSTRUCTIONS			
<input checked="" type="checkbox"/>	E	INSPECTION AND ACCEPTANCE			K	REPRESENTATIONS, CERTIFICATIONS AND OTHER STATEMENTS OF OFFERORS	
<input checked="" type="checkbox"/>	F	DELIVERIES OR PERFORMANCE		<input checked="" type="checkbox"/>	L	INSTRS., CONDS., AND NOTICES TO OFFERORS	
<input checked="" type="checkbox"/>	G	CONTRACT ADMINISTRATION DATA			M	EVALUATION FACTORS FOR AWARD	
	H	SPECIAL CONTRACT REQUIREMENTS					
OFFER (Must be fully completed by offeror)							
NOTE: Item 12 does not apply if the solicitation includes the provisions at 52.214-16, Minimum Bid Acceptance Period.							
12. In compliance with the above, the undersigned agrees, if this offer is accepted within _____ calendar days (60 calendar days unless a different period is inserted by the offeror) from the date for receipt of offers specified above, to furnish any or all items upon which prices are offered at the price set opposite each item, delivered at the designated point(s), within the time specified in the schedule.							
13. DISCOUNT FOR PROMPT PAYMENT (See Section I, Clause No. 52.232-8)		<input checked="" type="checkbox"/> 10 CALENDAR DAYS (%)		<input type="checkbox"/> 20 CALENDAR DAYS (%)		<input type="checkbox"/> 30 CALENDAR DAYS (%)	
						CALENDAR DAYS (%)	
14. ACKNOWLEDGMENT OF AMENDMENTS (The offeror acknowledges receipt of amendments to the SOLICITATION for offers and related documents numbered and dated):		AMENDMENT NO.		DATE		AMENDMENT NO.	
15A. NAME AND ADDRESS OF OFFEROR		CODE		FACILITY		16. NAME AND TITLE OF PERSON AUTHORIZED TO SIGN OFFER (Type or print)	
15B. TELEPHONE NUMBER		15C. CHECK IF REMITTANCE ADDRESS IS DIFFERENT FROM ABOVE - ENTER SUCH ADDRESS IN SCHEDULE.		17. SIGNATURE		18. OFFER DATE	
AREA CODE/NUMBER EXT.		<input type="checkbox"/>					
AWARD (To be completed by Government)							
19. ACCEPTED AS TO ITEMS NUMBERED		20. AMOUNT		21. ACCOUNTING AND APPROPRIATION			
22. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION: <input type="checkbox"/> 10 U.S.C. 2304(c)) <input type="checkbox"/> 41 U.S.C. 253(c) ()				23. SUBMIT INVOICES TO ADDRESS SHOWN IN (4 copies unless otherwise specified) <input checked="" type="checkbox"/> ITEM			
24. ADMINISTERED BY (If other than Item 7) CODE				25. PAYMENT WILL BE MADE BY CODE			
26. NAME OF CONTRACTING OFFICER (Type or print)				27. UNITED STATES OF AMERICA (Signature of Contracting Officer)		28. AWARD DATE	

IMPORTANT - Award will be made on this Form, or on Standard Form 26, or by other authorized official written notice.

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STANDARD FORM 33 (REV. 9-97)
Prescribed by GSA - FAR (48 CFR) 53.214(c)

Section B – Supplies / Services

The CPA contemplates awarding a fixed price contract. Major inspection and overhauls are contemplated as follows: four (4) type MS5001P Heavy Duty Gas Turbines Model PG5341P with Speedtronic[™] Mark II Controls at the PTCH Power Plant and two (2) types MS5001P Heavy Duty Gas Turbines, serial numbers 214417 and 214418 at the Shuaibah Power Plant. See section L for pricing assumptions, instructions and information. See Section C for the Scope of the work to be performed under this contract.

The performance period for this contract is six (6) months commencing 10 days after contract award.

CLIN	Description	Quantity	Unit	Unit Price Fixed rate	Total
001	Mechanical Technical Advisor/Specialist (10 hours per day) PTCH Power Plant (Perform work in accordance with the attached statement of work (SOW) for the period of performance stated in Section F.	1	lot		
002	Electrical Technical Advisor/Specialist (10 hours per day) Shuaibah Power Station (Perform work in accordance with the attached statement of work (SOW) for the period of performance stated in Section F	1	lot		
003	Electrical Technical Advisor/Specialist (10 hours per day) PTCH Power Plant (Perform work in accordance with the attached statement of work (SOW) for the period of performance stated in Section F.	1	lot		
004	Electrical Technical Advisor/Specialist (over 10 hours) Shuaibah Power Station (Perform work in accordance with the attached statement of work (SOW) for the period of performance stated in Section F.	1	lot		
005	Instrumentations and Controls Technical Advisor/Specialist (10 hours per day) PTCH	1	lot		

	Power Plant (Perform work in accordance with the attached statement of work (SOW) for the period of performance stated in Section F.				
006	Instrumentations and Controls Technical Advisor/Specialist (over 10 hours) Shuaibah Power Plant (Perform work in accordance with the attached statement of work (SOW) for the period of performance stated in Section F.	1	lot		
007	Equipment				
007a	Kits in accordance with Attachment 2 (One complete set per turbine)	6	set		
007b	Special Test Equipment	1	lot		
008	Travel* PTCH	1	lot		
009	Travel* Shuaibah	1	lot		
TOTALS					

*Travel is defined as all cost for travel, transportation, lodging, security, meals and other travel related incidentals. Contractor is responsible for all travel, lodging, security arrangements

Section C - Statement of Work

STATEMENT OF WORK (SOW)

FOR PTCH POWER PLAN AND SHUAIBAH POWER PLANT INSPECTION AND OVERHAUL OVERSIGHT

1.0 SCOPE OF WORK

The Work included in this contract Scope of Work is described below and encompasses all activities necessary to assess, inspect, evaluate and advise of repair and rehabilitation, and supervise a major inspection and overhaul of four (4) type MS5001P Heavy Duty Gas Turbines Model PG5341P with Speedtronic[™] Mark II Controls at the PTCH Power Plant and a major inspection and overhaul of two (2) types MS5001P Heavy Duty Gas Turbines, serial numbers 214417 and 214418 at the Shuaibah Power Plant. This includes providing material and equipment and required services for the rehabilitation to restore or

continue full operational capabilities. The period of performance is six (6) months from the date of award.

The PTCH Power Plant is located approximately north of Az Zubayr and Power Plant is located south of Az Zubayr in Southern Iraq. It is expected that work will begin concurrently on one unit at each plant. Upon completion of the first 2 units at each plant, the final 2 will be done concurrently.

Application of Uprate parts alternatives is acceptable; HOWEVER, the CONTRACTOR must clearly identify the performance or maintenance cycle improvements in its proposal in order for this to be considered during proposal evaluation.

1.1 GAS TURBINE WORK PERFORMANACE AND EQUIPMENT

- 1.1.1 CONTRACTOR shall provide a technically qualified, experienced Mechanical Technical Advisor to supervise four (4) major inspections and overhauls of all mechanical aspects, including compressor stator blade replacement, of frame 5 CTG's at the PTCH Power Plant.
- 1.1.2 CONTRACTOR shall provide a technically qualified, experienced Electrical Technical Advisor to supervise four (4) major inspections and overhauls of all electrical aspects, of frame 5 CTG's at the PTCH Power Plant.
- 1.1.3 CONTRACTOR shall provide a technically qualified, experienced Instrumentations and Controls (I&C) and Mark II Technical Advisor to supervise four (4) major inspections and overhauls of all instrumentation and controls aspects, of frame 5 CTG's at the PTCH Power Plant.
- 1.1.4 CONTRACTOR shall provide Four (4) kits to support major inspection Overhauls including, but not limited to all buckets, nozzles, compressor rotor overhaul with reblading and compressor stator blade replacement. Also to be included are required parts for all auxiliaries, pumps, Mark II control cards, any other required material for the PTCH Power Plant.
- 1.1.5 CONTRACTOR shall provide a technically qualified, experienced Mechanical Technical Advisor to supervise a major inspection and overhaul of all mechanical aspects, including compressor stator blade replacement of two (2) frame 5 CTG's at the Shuaibah Power Plant.
- 1.1.6 CONTRACTOR shall provide a technically qualified, experienced Electrical Technical Advisor to supervise a major inspection and overhaul of all electrical aspects, replacement of two (2) frame 5 CTG's at the Shuaibah Power Plant.
- 1.1.7 CONTRACTOR shall provide a technically qualified, experienced Instrumentation and Controls and Mark I Technical Advisor to supervise a major inspection and overhaul of all inspection and control aspects, of two (2) frame 5 CTG's at the Shuaibah Power Plant.

- 1.1.8 Complete kit to support a major inspection and overhaul including, but not limited to, all buckets, nozzles, compressor rotor overhaul with reblading and compressor stator blade replacement. Also to be including are the required parts for all auxiliaries, pumps, Mark 1 control cards, and any other required materials for the Shuaibah Power Plant.
- 1.1.9 Complete Hot Gas Path (buckets, nozzles, shrouds) and Combustion capital item (fuel nozzles, liners, transition pieces) replacement will be required for both PTCH and Shuaibah Power Plants, as well as Compressor Rotor and Stator reblading. Parts currently installed are believed to include Stg 1 Buckets 733E0811P111/112, Stg 1 Nozzel 144C3941G005, Stg 2 Nozzel 812E0531G006 for Shuaibah Power Plant.
- 1.1.10 Complete Hot Gas Path (buckets, nozzles, shrouds) and Combustion capital item (fuel nozzles, liners, transition pieces) replacement will be required for both PTCH and Shuaibah Power Plants, as well as Compressor Rotor and Stator reblading. Parts currently installed are believed to include Stg 1 Buckets 733E0831P29, Stg 1 Nozzel 818E0746G001, Stg 2 Nozzel 818E0721G005 for PTCH Power Plant

1.2 WORK NOT INCLUDED

- 1.2.1 Actual labor for major inspection and overhaul will be provided by the Power Plant operations and personnel at both Power Plants.

1.3 SECURITY

- 1.3.1 CONTRACTOR shall provide all security services necessary to protect themselves on site from injury.

2.0 SPECIFICATIONS

- 2.1.1 CONTRACTOR shall perform the above work based on typical scope provided in Attachment 1, Major Inspection/Overhaul for MS5001P Gas Turbines and Attachment 2, entitled MS-5001 MAJOR INSPECTION - MINIMUM PARTS.
- 2.1.2 The above specifications are provided as information to assist the CONTRACTOR, however, in no event shall they relieve the CONTRACTOR from performing inspections and supervising the major overhaul at both power plants.

3.0 CODES, AND STANDARDS

The requirements of this Contract are based on conformance with all relevant ANSI, IEEE, ASTM, NFPA, AISE, ASCE, JIS, DIN and other applicable standards and all local

regulations in effect. Other equivalent internationally recognized codes and standards may be substituted with prior approval of the Technical Monitor provided they meet or exceed the requirements of the proposed codes and standards.

4.0 SPECIFICATION, CALCULATION, DRAWING AND DOCUMENT REQUIREMENTS

Drawings shall be submitted to the Technical Monitor for engineering review for any replacement or repair recommendations of components that deviate from the original design. This includes hardware of a different rating or type from the original power plant repaired with other than members identical to or superior to the original members, or new replacement materials of a different design than those being replaced.

5.0 ATTACHMENTS

Attachment 1 - Major Inspection/Overhaul for MS5001P Gas Turbines

Attachment 2 - MS-5001 MAJOR INSPECTION – MINIMUM PARTS

6.0 REQUIRED SUBMITTALS

The following submittals are a prerequisite to commencement of the work

6.1. Insurance Certificate – 5 days before commencement of work

6.2. Quality Plan – 1 week prior to commencement of work

The following submittals are a prerequisite to initial or progress type payments:

6.3. Contract Schedule – due 2 weeks after date of award

6.4. Insurance Certificates – due 5 days prior to commencement of work

6.5. Quality Plan – due 2 weeks after date of award

The following submittals are a prerequisite for final payment.

6.6. Inspection Reports – Due dates to be determined 1 week after contract award.

Section F – Delivery / Performance

The period of performance will commence 10 days after contract award. The performance period shall be for a six (6) month period from the date of contract award.

Section G - Contract Administration

FUNDING:

IDENTIFICATION OF CORRESPONDENCE: All correspondence and data submitted by the contractor under this contract shall clearly reference the contract number.

CONTRACTING ACTIVITY REPRESENTATIVES:

	Contractual Matters	Technical Monitor
NAME:	(b)(6)	To Be determined
Organization:		
Telephone No.		
Email:		

Payment:

Payment shall be made via a bank to bank wire transfer within 30 days of receipt of a proper invoice. Progress payments are allowable. The contractor may submit a monthly invoice based on services performed.

Invoicing:

See paragraph #18 herein for complete invoicing instructions. The contractor shall attach one copy of page 2 of the SF 1449 or other receiving document indicating satisfactory performance and delivery of reports to the technical monitor. Contractor shall submit invoices to the paying office listed in block 18 of the SF 1449. The contractor shall submit one copy of its invoice with SF1449 or other receiving document to the CPA contracting officer.

Section I – Clauses

**CONTRACT PROCEDURES
APPLICABLE TO VESTED AND SEIZED IRAQI PROPERTY AND
DEVELOPMENT FUND FOR IRAQ**

Standard Terms and Conditions for Solicitations and Contracts in Excess of \$5,000

Solicitation Terms and Conditions

1. Submission of Offers. The contractor will submit signed and dated offers to the office specified in this solicitation at or before the exact time specified in the solicitation. Offers may be submitted on letterhead stationery or as otherwise specified in the solicitation. At a *minimum*, offers must show:

- a. The solicitation number.
- b. The time specified in the solicitation for receipt of offers.
- c. The name, address, and telephone number of the offeror.
- d. A technical description of the items being offered in sufficient detail to evaluate compliance with the requirements in the solicitation. This may include product literature, or other documents, if necessary.
- e. Terms of any express warranty.
- f. Price and any discount terms.
- g. Payment address (if different from mailing address)
- h. Acknowledgment of solicitation amendments (if any)

i. Past performance information, when included as an evaluation factor, to include recent and relevant contracts for the same or similar items and other references (including contract numbers, points of contact with telephone numbers, and other relevant information)

j. A statement specifying the extent of agreement with all terms, conditions, and provisions included in the solicitation. Offers that fail to furnish required representations or information, or reject the terms and conditions of the solicitation may be excluded from consideration.

2. Period for Acceptance of Offers. The offeror agrees to hold the prices in its offer firm for 30 calendar days from the date specified for receipt of offers, unless another time period is specified in an addendum to the solicitation.

3. Product Samples. When required by the solicitation, product samples shall be submitted at or prior to the time specified for receipt of offers. Unless otherwise specified in this solicitation, these samples shall be submitted at no expense, and returned at the sender's request and expense, unless they are destroyed by preaward testing.

4. Multiple Offers. Offerors are encouraged to submit multiple offers presenting alternative terms and conditions or items for satisfying the requirements of this solicitation. Each offer submitted will be evaluated separately.

5. Late Submissions, Modifications, Revisions, and Withdrawals of Offers.

a. Offerors are responsible for submitting offers, and any modifications, revisions, or withdrawals, so as to reach the Contracting Officer designated in the solicitation by the time specified in the solicitation. If no time is specified in the solicitation, the time for receipt is 1630 hours, local time, for the designated contracting office on the date that offers or revisions are due.

b. Any offer, modification, revision, or withdrawal of an offer received at the contracting office designated in the solicitation after the exact time specified for receipt of offers is "late" and will not be considered unless it is received before award is made, the Contracting Officer determines that accepting the late offer would not unduly delay the acquisition, and

1) if it was transmitted through an electronic commerce method authorized by the solicitation, it was received at the initial point of entry to the contracting office not later than 1700 hours one working day prior to the date specified for receipt of offers, or

2) there is acceptable evidence to establish it was received at the location designated for the receipt of offers and was under government control prior to the time set for receipt of offers, or 3) if the solicitation was a request for proposals, it was the only proposal received.

c. However, a late modification of an otherwise successful offer that makes the offer's terms more favorable to the contracting organization issuing the solicitation will be considered at any time it is received and may be accepted.

d. Acceptable evidence to establish the time of receipt at the contracting office includes the time/date stamp of that installation on the offer wrapper, other documentary evidence of receipt maintained by the installation, or oral testimony or statements of contracting office personnel.

e. If an emergency or unanticipated event interrupts normal processes so that offers cannot be received at the contracting office designated for receipt of offers by the exact time specified in the solicitation, and urgent requirements preclude amendment of the solicitation or other notice of the extension of the closing date, the time specified for receipt of offers will be deemed to be extended to the same time of day specified in the solicitation on the first work day on which normal processes resume.

f. Offers may be withdrawn by written notice received at any time before the exact time set for receipt of offers. Oral offers in response to oral solicitations may be withdrawn orally. If the solicitation authorizes facsimile offers, offers may be withdrawn via facsimile received at any time before the exact time set for receipt of offers, subject to the conditions specified in the solicitation concerning facsimile offers. An offer may be withdrawn in person by an offeror or its authorized representative if, before the

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8. Bolt, Twelve-Point Head (Horizontal Joint Flange)	*1
BOLTING & DOWELING ARRANGEMENT (ML1604)	
1. Bolt, Hexhead (Forward Compressor Casing To Inlet Casing)	*3
2. Bolt, Hexhead (Aft Compressor Casing to Forward Compressor Casing)	*6
3. Bolt, Hexhead (Aft Compressor Casing to Discharge Casing)	*5
4. Bolt, Hexhead (Discharge Casing to Turbine Shell)	*8
5. Bolt, Twelve-Point Head (Turbine Shell to Exhaust Frame)	48
RADIATION SHIELD, THERMOCOUPLE (ML0531)	
1. Radiation Shield Assembly	18
THERMOCOUPLE, EXHAUST & TRIP (ML0623)	
1. Thermocouple, Exhaust & Trip	18
INSTRUMENTATION, TURBINE CASE (ML0215)	
1. Thermocouple, Wheelspace	4
THERMOCOUPLE ARRANGEMENT, STAGE 1 (ML0218)	
1. Thermocouple, Wheelspace	2
FRAME ASSEMBLY, EXHAUST (ML0706)	
1. Thermocouple, Wheelspace	

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT				1. CONTRACT ID CODE J		PAGE OF PAGES 1 8	
2. AMENDMENT/MODIFICATION NO. A001		3. EFFECTIVE DATE 12/17/03		4. REQUISITION/PURCHASE REQ. NO. Z-00219		5. PROJECT NO. (If applicable)	
6. ISSUED BY CRA - CONTRACTING ACTIVITY REPUBLICAN PRESIDENTIAL COMPOUND BAGHDAD IRAQ APO AE 09335		CODE W9190U1		7. ADMINISTERED BY (If other than Item 6) See block 6.		CODE	
8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code)				(X)		9A. AMENDMENT OF SOLICITATION NO. DABV01-03-R-0035	
				X		9B. DATED (SEE ITEM 11) 12/14/03	
						10A. MODIFICATION OF CONTRACT/ORDER NO.	
						10B. DATED (SEE ITEM 11)	
CODE		FACILITY CODE					
11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS							
<input checked="" type="checkbox"/> The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers <input type="checkbox"/> is extended, <input checked="" type="checkbox"/> is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing items 8 and 15, and returning <u>1</u> copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment your desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.							
12. ACCOUNTING AND APPROPRIATION DATA (If required)							
13. THIS ITEM ONLY APPLIES TO MODIFICATION OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.							
CHECK ONE	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.						
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).						
	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:						
	D. OTHER (Specify type of modification and authority)						
E. IMPORTANT: Contractor <input type="checkbox"/> is not, <input checked="" type="checkbox"/> is required to sign this document and return <u>1</u> copies to the issuing office.							
14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)							
The purpose of this amendment is to add in full text reserved clauses in Section I in full force and effect. In addition, the purpose of this amendment is to add subfactor 3, past performance to the Technical evaluation factor for evaluation purposes. The date set for closing, 30 Dec 03, remains unchanged. For proposals to be considered, Offerors must acknowledge receipt of this amendment per block 11. Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.							
15A. NAME AND TITLE OF SIGNER (Type or print)				16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)			
				Elizabeth Smith			
15B. CONTRACTOR/OFFEROR		15C. DATE SIGNED		16B. UNITED STATES OF AMERICA		16C. DATE SIGNED	
(Signature of person authorized to sign)				(Signature of Contracting Officer)		12/17/03	

The following Reserved clauses are hereby incorporated in their entirety for solicitation DABV01-03-R-0035 as follows:

SECTION I – CLAUSES

42. Liquidated Damages.

a. If the Contractor fails to perform within the time specified in this contract, the Contractor shall, in place of actual damages, pay to the governmental entity liquidated damages of \$10,000.00 per calendar day of delay.

b. If the governmental entity terminates this contract in whole or in part under the Termination for Cause clause, the Contractor is liable for liquidated damages accruing until the governmental entity reasonably obtains similar delivery or performance. These liquidated damages are in addition to excess costs of repurchase under the Termination for Cause clause.

c. The Contractor will not be charged with liquidated damages when the delay in delivery or performance is beyond the control and without the fault or negligence of the Contractor as defined in the Excusable Delay clause.

43. Performance of Work by the Contractor. The Contractor shall perform on the site, and with its own organization, work equivalent to at least 80 percent of the total amount of work to be performed under the contract. This percentage may be reduced by a supplemental agreement to this contract if, during performing the work, the Contractor requests a reduction and the Contracting Officer determines that the reduction would be to the advantage of the Government.

44. Differing Site Conditions.

a. The Contractor shall promptly, and before the conditions are disturbed, give a written notice to the Contracting Officer of:

(1) Subsurface or latent physical conditions at the site which differ materially from those indicated in the Contract, or

(2) Unknown physical conditions at the site, of an unusual nature, which differ materially from those ordinarily encountered and generally recognized as inhering in work of the character provided for in the contract.

b. The Contracting Officer shall investigate the site conditions promptly after receiving the notice. If the conditions do materially so differ and cause an increase or decrease in the Contractor's cost of, or the time required for, performing any part of the work under this contract, whether or not changed as a result of the conditions, an equitable adjustment shall be made under this clause and the contract modified in writing accordingly.

c. No request by the Contractor for an equitable adjustment to the contract shall be allowed, unless the Contractor has given the written notice required; provided, that the time prescribed in paragraph (a) of this clause for giving written notice may be extended by the Contracting Officer.

d. No request by the Contractor for an equitable adjustment to the contract for differing site conditions shall be allowed if made after final payment under this contract.

45. Site Investigation and Conditions Affecting the Work.

a. The Contractor acknowledges that it has taken steps reasonably necessary to ascertain the nature and location of the work, and that it has investigated and satisfied itself as to the general and local conditions which can affect the work or its cost, including but not limited to (1) conditions bearing upon transportation, disposal, handling, and storage of materials; (2) the availability of labor, water, electric power, and roads; (3) uncertainties of weather, river stages, tides, or similar physical conditions at the site; (4) the conformation and conditions of the ground; (5) the character of equipment and facilities needed preliminary to and during work performance. The Contractor also acknowledges that it has satisfied itself as to the character, quality, and quantity of surface and subsurface materials or obstacles to be encountered insofar as the information is reasonably ascertainable from an inspection of the site, including all exploratory work done by the governmental agency involved, as well as from the drawing and specifications made a part of this contract. Any failure of the Contractor to take the action described and acknowledged in this paragraph will not relieve the Contractor from responsibility for estimating properly the difficulty and cost of successfully performing the work, or for proceeding to successfully perform the work without additional expense to the governmental agency involved.

b. The governmental agency involved in this contract assumes no responsibility for any conclusions or interpretations made by the Contractor based on the information made available by the Government, nor does the governmental agency assume responsibility for any understanding reached or representation made concerning conditions which can affect the work by any of its officers or agents before the execution of this contract, unless that understanding or representation is expressly stated in this contract.

46. Material and Workmanship.

a. All equipment, material, and articles incorporated into the work covered by this contract shall be new and of the most suitable grade for the purpose intended, unless otherwise specifically provided in this contract. References in the specifications to equipment, material, articles, or patented processes by trade name, make, or catalog number, shall be regarded as establishing a standard of quality and shall not be construed as limited competition. The Contractor may, at its option, use any equipment, material, article, or process that, in the judgment of the Contracting Officer, is equal to that named in the specifications, unless otherwise specifically provided in this contract.

b. The Contractor shall obtain the Contracting Officer's approval of the machinery and mechanical and other equipment to be incorporated into the work. When requesting approval, the Contractor shall furnish to the Contracting Officer the name of the manufacturer, the model number, and other information concerning the performance, capacity, nature, and rating of the machinery and mechanical and other equipment. When required by this contract or by the Contracting Officer, the Contractor shall also obtain the Contracting Officer's approval of the material or articles which the Contractor contemplates incorporating into the work. When requesting approval, the Contractor shall provide full information concerning the material or articles. When directed to do so, the Contractor shall submit samples for approval at the Contractor's expense, with all

shipping charges prepaid. Machinery, equipment, material, and articles that do not have the required approval shall be installed or used at the risk of subsequent rejection.

c. All work under this contract shall be performed in a skillful and workmanlike manner. The Contracting Officer may require, in writing, that the Contractor remove from the work any employee the Contracting Officer deems incompetent, careless, or otherwise objectionable.

47. **Superintendence by the Contractor.** At all times during performance of this contract and until the work is completed and accepted, the Contractor shall directly superintend the work or assign and have on the worksite a competent superintendent who is satisfactory to the Contracting Officer and has authority to act for the Contractor.

48. **Permits and Responsibilities.** The Contractor shall, without additional expense to the governmental entity awarding this contract, be responsible for obtaining any necessary licenses and permits, and for complying with any laws, codes, or regulations applicable to the performance of the work. The Contractor shall also be responsible for all damages to persons or property that occurs as a result of the Contractor's fault or negligence. The Contractor shall also be responsible for all materials delivered and work performed until completion and acceptance of the entire work, except for any completed unit of work which may have been accepted under the contract.

49. **Protection of Existing Vegetation, Structures, Equipment, Utilities, and Improvements.**

a. The Contractor shall preserve and protect all structures, equipment, and vegetation (such as trees, shrubs, and grass) on or adjacent to the work site, which are not to be removed and which do not unreasonably interfere with the work required under this contract. The Contractor shall only remove trees when specifically authorized to do so, and shall avoid damaging vegetation that will remain in place. If any limbs or branches of trees are broken during contract performance, or by the careless operation of equipment, or by workmen, the Contractor shall trim those limbs or branches with a clean cut and take such other action as the Contracting officer may direct.

b. The Contractor shall protect from damage all existing improvements and utilities (1) at or near the work site, and (2) on adjacent property of a third party, the locations of which are made known to or should be known by the Contractor. The Contractor shall repair any damage to those facilities, including those that are the property of a third party, resulting from failure to comply with the requirements of this contract or failure to exercise reasonable care in performing the work. If the Contractor fails or refuses to repair the damage promptly, the Contracting Officer may have the necessary work performed and charge the cost to the Contractor.

50. **Operations and Storage Areas.**

a. The Contractor shall confine all operations (including storage of materials) to areas authorized or approved by the Contracting Officer. The Contractor shall hold and save the government entity awarding this contract, its officers and agents, free and harmless from liability of any nature occasioned by the Contractor's performance.

b. Temporary buildings (such as storage sheds, shops, offices) and utilities may be erected by the Contractor only with the approval of the Contracting Officer and shall be built with labor and materials furnished by the Contractor without expense to the governmental entity awarding this contract. The temporary buildings and utilities shall remain the property of the Contractor and shall be removed by the Contractor at its expense upon completion of the work. With the written consent of the Contracting Officer, the buildings and utilities may be abandoned and need not be removed.

c. The Contractor shall, under rules established by the Contracting Officer, use only established roadways, or use temporary roadways constructed by the Contractor when and as authorized by the Contracting Officer. When materials are transported in prosecuting the work, vehicles shall not be loaded beyond the loading capacity recommended by the manufacturer of the vehicle or prescribed by law or regulation. When it is necessary to cross curbs and sidewalks, the Contractor shall protect them from damage. The Contractor shall repair or pay for the repair of any damaged curbs, sidewalks, or roads.

51. **Cleaning Up.** The Contractor shall at all times keep the work area, including storage areas, free from accumulations of waste materials. Before completing the work, the Contractor shall remove from the work and premises any rubbish, tools, scaffolding, equipment, and materials that are not the property of the Government. Upon completing the work, the Contractor shall leave the work area in a clean, neat, and orderly condition satisfactory to the Contracting Officer.

52. **Accident Prevention.**

a. The Contractor shall provide and maintain work environments and procedures which will:

- (1) Safeguard the public and governmental entity personnel, property, materials, supplies, and equipment exposed to Contractor operations and activities,
- (2) Avoid interruptions of governmental entity operations and delays in project completion dates, and
- (3) Control costs in the performance of this contract.

b. For these purposes on contracts for construction or dismantling, demolition, or removal of improvements, the Contractor shall:

- (1) Provide appropriate safety barricades, signs, and signal lights.
- (2) Ensure that any additional measures the Contracting Officer determines to be reasonably necessary for the purposes are taken.

c. Whenever the Contracting Officer becomes aware of any noncompliance with these requirements or any condition which poses a serious or imminent danger to the health and safety of the public or governmental entity personnel, the Contracting Officer shall notify the Contractor orally, with written confirmation, and request immediate initiation of corrective action. This notice, when delivered to the Contractor or the Contractor's representative at the work site, shall be deemed sufficient notice of the noncompliance and that corrective action is required. After receiving the notice, the Contractor shall immediately take corrective action. If the Contractor fails or refuses to promptly take corrective action, the Contracting Officer may issue an order stopping all or part of the work until satisfactory corrective action has been taken. The Contractor

shall not be entitled to any equitable adjustment of the contract price or extension of the performance schedule on any stop work order issued under this clause.

d. The Contractor shall insert this clause, including this paragraph (d), with appropriate changes in the designation of the parties, in subcontracts.

53. Schedules for Construction Contracts.

a. The Contractor shall, within five days after the work commences on the contract or another period of time determined by the Contracting Officer, prepare and submit to the Contracting Officer for approval three copies of a practicable schedule showing the order in which the Contractor contemplates starting and completing the several salient features of the work (including acquiring materials and equipment). The schedule shall be in the form of a progress chart of suitable scale to indicate approximately the percentage of work scheduled for completion by any given date during the period. If the Contractor fails to submit a schedule within the time prescribed, the Contracting Officer may withhold approval of progress payments until the Contractor submits the required schedule.

b. The Contractor shall report progress under the schedule to the Contracting Officer as directed by the Contracting Officer. If, in the opinion of the Contracting Officer, the Contractor falls behind the approved schedule, the Contractor shall take steps necessary to improve its progress, including those that may be required by the Contracting Officer, without additional cost to the governmental entity awarding this contract. In this circumstance, the Contracting Officer may require the Contractor to increase the number of shifts, overtime operations, days of work, and other efforts, and to submit for approval any supplementary schedule or schedules as the Contracting Officer deems necessary to demonstrate how the approved rate of progress will be regained.

c. Failure of the Contractor to comply with the requirements of the Contracting Officer under this clause shall be grounds for a determination by the Contracting Officer that the Contractor is not prosecuting the work with sufficient diligence to ensure completion within the time specified in the contract. Upon making this determination, the Contracting Officer may terminate the Contractor's right to proceed with the work, or any separable part of it, in accordance with the default terms of the contract.

54. Specifications and Drawings for Construction. The Contractor shall keep on the work site a copy of the drawings and specifications (the written description of the work) and shall at all times give the Contracting Officer access thereto. Anything mentioned in the specifications and not in the drawings, or shown on the drawings and not mentioned in the specifications, shall be of like effect as if shown or mentioned in both. In case of difference between drawings and specifications, the specifications shall govern. If case of difference in the figures between the drawings or in the specifications, the matter shall be promptly submitted to the Contracting Officer, who shall promptly make a determination in writing. Any adjustment by the Contractor without such a determination shall be at its own risk and expense. The Contracting Officer shall furnish from time to time such detailed drawings and other information as considered necessary, unless otherwise provided.

The Following changes are incorporated into Section M as follows (in underlined text):
SECTION M

EVALUATION CRITERIA FOR PROPOSALS

Factor 1. Technical Area:

Subfactor 1. The offerors approach will be evaluated considering the degree to which it demonstrates an understanding of the Statement of Work.

Subfactor 2 Technical qualifications of the technicians. Named personnel proposed by the offeror will be evaluated, in light of their positions in the proposed staffing plan (SOW and Section B as stated), to assess the extent to which their current and past experience qualifications, and credentials are relevant to accomplishing the SOW requirements. Personnel proposed will be evaluated on recent experience in similar efforts as an indicator of potential success in accomplishing the requirements of the SOW.

Subfactor 3. Past Performance. The offeror's past performance will be evaluated with emphasis on how the prime contractor and/or proposed team has successfully managed and performed contracts or work similar work. The record of the offeror's previous performance and its proposed team or subcontractors under similar or related contracts, will be considered. Such performance, over the past 2 years will be evaluated as an indicator of ability to satisfactorily accomplish the requirements of the SOW. Past performance will be evaluated in terms of technical and price related issues. The government will evaluate the offeror's history of providing its customers with a quality product/service and that it was delivered within the schedule. The offeror will be evaluated on its ability to provide appropriate and well qualified personnel for the assigned tasks. Further, the CPA will evaluate the offerors history of complying with the terms of the contract and completing the work within the schedule

Factor 2. Uprate/New Technology Factor.

Subfactor 1. Incremental Output. For evaluation purposes, Uprate/New Technology offerings must include guaranteed Net Performance to be demonstrated by post-overhaul performance testing using station instrumentation or maintenance improvements that are demonstrated by field experience on similar units

Subfactor 2. Projected Maintenance Savings per Major Inspection Cycle

Factor 3. Price/Cost

Relative importance of Evaluation criteria:

Offeror must be rated as acceptable in the technical area in order to be eligible for contract award. The CPA considers the evaluation area termed, Technical to represent the strongest indication of successful achievement of the contractual objectives; consequently, it will be the most important evaluation area. The response to the Uprate Factor is less important than the technical area. Price is a substantial evaluation factor; however, it is considered to be less

important than the other evaluation areas. All factors within the evaluation area shall be considered in descending order of importance, with the subfactors within in each factor being of equal importance in comparison with all other subfactors within the same factor.

CPA intends to award to the offeror that represents the best value and is the most advantageous to the CPA considering the Technical, Uprate and Cost areas. The CPA may select for award the offeror whose total evaluated cost is not necessarily the lowest, but whose technical proposals are sufficiently more advantageous to the CPA so as to justify the payment of additional costs. Conversely, the CPA may select for award the offeror whose total evaluated cost is the lowest, when other proposals are not sufficiently more advantageous so as to justify the payment of additional costs.

SCOPE OF WORK
FOR PTCH POWER PLAN AND SHUAIBAH POWER PLANT
INSPECTION AND OVERHAUL OVERSIGHT

1.0 SCOPE OF WORK

The Work included in this contract Scope of Work is described below and encompasses all activities necessary to assess, inspect, evaluate and advise of repair and rehabilitation, and supervise a major inspection and overhaul of four (4) type MS5001P Heavy Duty Gas Turbines Model PG5341P with Speedtronic[™] Mark II Controls at the PTCH Power Plant and a major inspection and overhaul of two (2) types MS5001P Heavy Duty Gas Turbines, serial numbers 214417 and 214418 at the Shuaibah Power Plant. This includes providing material and equipment and required services for the rehabilitation. The period of performance is approximately from date of award for a total Not-To-Exceed six (6) months.

The PTCH Power Plant is located approximately north of Az Zubayr and Shuaibah Power Plant is located south of Az Zubayr in Southern Iraq. It is expected that work will begin concurrently on one unit at each plant. Upon completion of the first 2 units at each plant, the final 2 would be done concurrently.

Application of Uprate parts alternatives is acceptable, but CONTRACTOR must clearly identify the performance or maintenance cycle improvements provided for this to be considered during evaluation.

1.1 WORK INCLUDED

- 1.1.1 CONTRACTOR shall provide a technically qualified, experienced Mechanical Technical Advisor to supervise four (4) major inspections and overhauls of all mechanical aspects, including compressor stator blade replacement, of frame 5 CTG's at the PTCH Power Plant.
- 1.1.2 CONTRACTOR shall provide a technically qualified, experienced Electrical Technical Advisor to supervise four (4) major inspections and overhauls of all electrical aspects, of frame 5 CTG's at the PTCH Power Plant.
- 1.1.3 CONTRACTOR shall provide a technically qualified, experienced Instrumentations and Controls (I&C) and Mark II Technical Advisor to supervise four (4) major inspections and overhauls of all instrumentation and controls aspects, of frame 5 CTG's at the PTCH Power Plant.
- 1.1.4 CONTRACTOR shall provide Four (4) kits to support major inspection Overhauls including, but not limited to all buckets, nozzles, compressor rotor overhaul with reblading and compressor stator blade replacement. Also to be included are required parts for all auxiliaries, pumps, Mark II control cards, any other required material for the PTCH Power Plant.
- 1.1.5 CONTRACTOR shall provide a technically qualified, experienced Mechanical Technical Advisor to supervise a major inspection and overhaul of all mechanical aspects, including

compressor stator blade replacement of two (2) frame 5 CTG's at the Shuaibah Power Plant.

- 1.1.6 CONTRACTOR shall provide a technically qualified, experienced Electrical Technical Advisor to supervise a major inspection and overhaul of all electrical aspects, replacement of two (2) frame 5 CTG's at the Shuaibah Power Plant.
- 1.1.7 CONTRACTOR shall provide a technically qualified, experienced Instrumentation and Controls and Mark 1 Technical Advisor to supervise a major inspection and overhaul of all inspection and control aspects, of two (2) frame 5 CTG's at the Shuaibah Power Plant.
- 1.1.8 Complete kit to support a major inspection and overhaul including, but not limited to, all buckets, nozzles, compressor rotor overhaul with reblading and compressor stator blade replacement. Also to be including are the required parts for all auxiliaries, pumps, Mark 1 control cards, and any other required materials for the Shuaibah Power Plant.
- 1.1.9 Complete Hot Gas Path (buckets, nozzles, shrouds) and Combustion capital item (fuel nozzles, liners, transition pieces) replacement will be required for both PTCH and Shuaibah Power Plants, as well as Compressor Rotor and Stator reblading. Parts currently installed are believed to include Stg 1 Buckets 733E0811P111/112, Stg 1 Nozzel 144C3941G005, Stg 2 Nozzel 812E0531G006 for Shauibah Power Plant.
- 1.1.10 Complete Hot Gas Path (buckets, nozzles, shrouds) and Combustion capital item (fuel nozzles, liners, transition pieces) replacement will be required for both PTCH and Shuaibah Power Plants, as well as Compressor Rotor and Stator reblading. Parts currently installed are believed to include Stg 1 Buckets 733E0831P29, Stg 1 Nozzel 818E0746G001, Stg 2 Nozzel 818E0721G005 for PTCH Power Plant

1.2 WORK NOT INCLUDED

- 1.2.1 Actual labor for major inspection and overhaul will be provided by the Power Plant operations and personnel at both Power Plants.

1.3 SECURITY

- 1.3.1 CONTRACTOR shall provide all security services necessary to protect themselves on site from injury.

2.0 SPECIFICATIONS

- 2.1.1 CONTRACTOR shall perform the above work based on typical scope provided in Attachment 1, Major Inspection/Overhaul for MS5001P Gas Turbines and Attachment 2, entitled MS-5001 MAJOR INSPECTION – MINIMUM PARTS.
- 2.1.2 The above specifications are provided as information to assist CONTRACTOR, however, in no event shall they relieve the CONTRACTOR from performing inspections and supervising the major overhaul at both power plants.

3.0 CODES, AND STANDARDS

The requirements of this Contract are based on conformance with all relevant ANSI, IEEE, ASTM, NFPA, AISE, ASCE, JIS, DIN and other applicable standards and all local regulations in effect. Other equivalent internationally recognized codes and standards may be substituted with prior approval provided they meet or exceed the requirements of the proposed codes and standards.

4.0 SPECIFICATION, CALCULATION, DRAWING AND DOCUMENT REQUIREMENTS

Drawings shall be submitted for engineering review for any replacement or repair recommendations of components that deviate from the original design. This includes hardware of a different rating or type from the original power plant repaired with other than members identical to or superior to the original members, or new replacement materials of a different design than those being replaced.

5.0 ATTACHMENTS

Attachment 1 - Major Inspection/Overhaul for MS5001P Gas Turbines
Attachment 2 - MS-5001 MAJOR INSPECTION – MINIMUM PARTS

Attachment 2: MS-5001 MAJOR INSPECTION – MINIMUM PARTS

Note: Single asterisk (*) indicates not full quantities as called for on drawings. Twenty percent of the quantities called for are listed. These quantities should cover any hardware which may not be reusable.

Double asterisk (**) indicates items are expendable (not to be reused). They must be replaced at each inspection.

The quantities below are representative of normal expectations for a major inspection overhaul of a MS-5001 series gas turbine including compressor rotor and stator reblading.

Item	Quantity
COMPRESSOR BLADING	
1. Complete rotor blade set including all blades, spacers & shims	1
2. Complete set rotor hardware for compressor reassembly including, but not limited to, all through bolts, marriage bolts, balance weights, etc.	1
2. Complete Stator Reblade Set, including all shims	1
FUEL NOZZLE ASSEMBLY (ML0512, 0513, 0514)	
1. Cap, Fuel Nozzle	10
2. Transition Piece Assembly (Includes Gasket)	10
3. Fuel Nozzle Lockplate	10
4. Tip, Fuel Nozzle	10
5. Anti-Seize Compound	1
COMBUSTION CHAMBER ARRANGEMENT (ML0701)	
1. Retainer, Crossfire Tube	20
**2. Gasket (Spark Plug & Flame Detector Flanges)	4
**3. Gasket (Outer Combustion Casing to Compressor Discharge Casing)	10
**4. Gasket (Cover to Outer Combustion Casing)	10
5. Bolt, Hexhead (Fuel Nozzle Mounting Flange & Outer Combustion Casing to Compressor Discharge Casing)	*48
6. Bolt, Hexhead (Combustion Casing Covers)	*28
7. Bolt, Hexhead (Flame Detectors & Spark Plug Mounting Flange)	*4
8. Nut, Self-locking (Combustion Casing Covers)	*28
9. Bolt, Hexhead (Cover Locating)	*4
10. Nut, Self-locking (Cover Locating)	*4
*11. Gasket, Crossfire Tube Mounting Flanges	10
12. Nut, Hexagon (Crossfire, Tube Flanges)	*8
13. Bolt, Hexhead (Crossfire Tube Flanges)	*8
**14. Gasket, Ring (Fuel Nozzle Mounting Flange)	10
15. Tube, Crossfire	10
**16. Lockplates (Fuel Nozzle Flange Bolts)	40
TRANSITION PIECE, ASSEMBLY, COMBUSTION (ML0702)	
1. Transition Piece Assembly	10
CAP & LINER ARRANGEMENT, COMBUSTION (ML0703)	
1. Cap & Liner (for Spark Plug Assembly)	2

2. Cap & Liner (for Flame Detector Chambers)	2-4
3. Cap & Liners	4-6

TRANSITION PIECE ARRANGEMENT, COMBUSTION (ML0717)

1. Strip Packing (First-Stage Nozzle Inner Sidewall)	1
2. Strip Packing (First-Stage Nozzle Outer Sidewall)	1
**3. Bolt, Shoulder (Transition Piece Aft Bracket to Retaining Ring)	10
**4. Lockplate (Transition Piece Aft Bracket to Retaining Ring)	10
**5. Bolt, Shoulder (Secure Transition Piece End Seals)	10
**6. Locking Plate, Nut & Bolt (Transition Piece Forward Bracket to Compressor Discharge Casing)	20
**7. Nut, Hexagon (Transition Piece Forward Bracket to Compressor Discharge Casing)	20
8. End Seals (Seal Between Transition Pieces)	10

PIPING ARRANGEMENT, FUEL OIL (ML0910)

1. Check Valve, Fuel Oil Line to Fuel Nozzle	10
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PIPING ARRANGEMENT FUEL GAS (ML0911) (if Applicable to Unit)

**1. Gasket, Spiral Wound (Fuel Gas Lines from Manifold to Fuel Flanges)	20
2. Bolt, Hexhead (Fuel Gas Line from Manifold to Fuel Nozzle Flanges)	*16
3. Nut, Self-locking (Fuel Gas Lines from Manifold to Fuel Nozzle Flanges)	*16
**4. Gasket, Spiral Wound (Fuel Gas Manifold Flanges)	11
5. Bolt, Hexhead (Fuel Gas Manifold Flanges)	*14
6. Nut, Self-locking (Fuel Gas Manifold Flanges)	*14

PIPING ARRANGEMENT, FUEL NOZZLE PURGE (ML0912) (if Applicable to Unit)

1. Check Valve, Fuel Oil Purge Line	10
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PIPING ARRANGEMENT, ATOMIZING AIR (ML0922)

**1. Gasket, Spiral Wound (Atomizing Air Line Flanges from Manifold to Fuel Nozzles)	20
2. Bolt, Hexhead (Atomizing Air Line Flanges from Manifold to Fuel Nozzles)	*16
3. Nut, Self-locking (Atomizing Air Line Flanges from Manifold to Fuel Nozzles)	*16
**4. Gasket, Spiral Wound (Atomizing Air Manifold Flanges)	3
5. Bolt, Hexhead (Atomizing Air Manifold Flanges)	*8
6. Nut, Self-locking (Atomizing Air Manifold Flanges)	*8
**7. Gasket, Spiral Wound (Atomizing Air Piping Flanges to Turbine Shell)	4
8. Bolt, Hexhead (Atomizing Air Piping Flanges to Turbine Shell)	*2
9. Locking Plate, Nut & Bolt (Atomizing Air Pipe Flange to Turbine Shell)	*6

ULTRAVIOLET FLAME DETECTOR (ML1121)

1. Flame Detector Ultraviolet	2 or 4
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SPARK PLUG, SPRING POSITIONING (ML1214)

1. Spark Plug, Spring Positioning	1
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PIPING ARRANGEMENT, COOLING & SEALING AIR (ML0909)

Note: The list of gaskets, nuts and bolts shown below with varying quantities indicates that there are different sizes required. Using the applicable piping arrangement cooling and sealing air piping drawing, the user should procure the gasketing quantities shown and approximately 20% of the hardware quantities shown to cover any hardware which may not be reusable.

1. Bolt, Hexhead (.625-11 x 1.875)	*13
2. Bolt, Hexhead (.625-11 x 2.750)	*2
3. Bolt, Hexhead (.625-11 x 3.00)	*12
4. Bolt, Hexhead (.625-11 x 3.50)	*6
5. Bolt, Hexhead (.750-10 x 2.50)	*4
6. Bolt, Hexhead (.750-10 x 10.50)	*4
7. Nut, Self-locking (.625-11)	*21
8. Nut, Self-locking (.750-10)	*3
9. Locking Plate, Nut & Bolt (.625)	*13
10. Locking Plate, Nut & Bolt (.750)	*3
**11. Gasket, Spiral Wound	4
**12. Gasket, Spiral Wound	23
**13. Gasket, Spiral Wound	2
**14. Gasket, Spiral Wound	6

NOZZLE ARRANGEMENT, TURBINE FIRST STAGE (ML1401)

1. First-Stage Nozzle Arrangement	1
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RING SUPPORT, FIRST STAGE NOZZLE (ML1403)

1. Support Ring, First Stage	1
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NOZZLE ARRANGEMENT, TURBINE SECOND STAGE (ML1402)

1. Second-Stage Nozzle Arrangement	1
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HOUSING INLET & NUMBER ONE BEARING ASSEMBLY (ML0801)

1. Liner, Bearing Number One	1
2. Seal Assembly Stationary Oil Bearing	1
3. Seal Oil Number One Bearing	1
4. Deflector, Oil Number One Bearing	1
5. Pin Shoulder, Headless	1
6. Seal, Air	1
7. Screw, Machine Flat Head	2
8. Washer	2

BEARING ASSEMBLY, NUMBER TWO (ML1502)

1. Liner, Bearing Number Two	1
2. Bolt, Hexhead (1.250-8 x 7.50)	4
3. Lockplates (1.250)	4
4. Set Screw, Square Head (.750-10 x 5.00)	2
5. Nut, Self-locking (.750-10)	2
6. Locking Plate (.750)	2
7. Screw, Machine Flat Head (.325_16 x .750)	2
8. Washer	2
9. Seal, Stationary, Oil Bearing Number Two	1

BEARING, THRUST INLET CASING (ML1507)

1. Shim, Loaded Thrust Bearing	1
2. Shim, Unloaded Thrust Bearing	1
3. Bearing, Thrust Number One Bearing	1
4. Bearing, Thrust Tilting Pad	1

ROTOR ASSEMBLY, TURBINE (ML1302)

1. First-Stage Buckets (Complete Set)	1
2. Pin Horizontal, First-Stage Buckets	120
3. Pin, First-Stage Buckets	120
4. Lock Twist First-Stage Buckets	120
5. Second Stage Buckets (Complete Set)	1
5. Pin Seal, Second-Stage Buckets	90
6. Lock Twist, Second-Stage Buckets	90

PLENUM ASSEMBLY INLET & DUCT ARRANGEMENT INLET (ML1625 & A041)

Note: The list of gaskets, nuts and bolts shown below with varying quantities indicates that there are different sizes required. Using the applicable plenum assembly inlet and duct arrangement inlet drawing, the user should procure the gasketing quantities shown and approximately 20% of the hardware quantities shown to cover any hardware which may not be reusable.

1. Bolt, Hexhead (.375-16 x 1.250) (Plenum Assembly)	*20
2. Washer, Plain Regular (.375) (Plenum Assembly)	*20
3. Nut (.375-16) (Plenum Assembly)	*17
**4. Gasket, Access Cover Plate (Plenum Assembly)	1
**5. Gasket, Duct (Duct Arrangement Inlet)	1
**6. Gasket, Duct (Duct Arrangement Inlet)	2
**7. Gasket, Duct (Duct Arrangement Inlet)	1
**8. Gasket, Duct (Duct Arrangement Inlet)	2
9. Nut, Hexagon (.500-13)	*38
10. Bolt, Hexhead (.500-13 x 2.250)	*9
11. Washer, Plain Wide (.500)	*120
12. Bolt, Hexhead (.500-13 x 1.750)	*48

PLENUM ASSEMBLY EXHAUST & INSTALLATION ASSEMBLY EXHAUST SYSTEM (ML1625 & A042)

Note: The list of gaskets, insulation, nuts and bolts shown below with varying quantities indicates there are different sizes required. Using the applicable plenum exhaust and installation assembly exhaust system drawings, the user should procure the gasketing, insulation and the hardware quantities shown.

1. Insulation, Needle-mat	2
2. Segment Expansion Joint	22
3. Clamp Segment, Exhaust Plenum	28
4. Bolt, Hexhead (.500-13 x 1.250)	56
5. Expansion Joint, Exhaust	2
6. Joint, Expansion	4
7. Gasket (Forward Side Plenum)	1
8. Cap Screw (.625-11 x 2.50) (296A786P165)	4
9. Nut, Lock (.625-11) (974A827P8)	4

Note: Items 8 and 9 above are not shown on plenum assembly exhaust drawing and are required for cooling air pipe inside of exhaust plenum for part 19 pipe assembly shown on the plenum assembly exhaust drawing.

10. Bolt, Hexhead (.750-10 x 2.00)	154
11. Nut, Hexagon (.750-10)	158
12. Lockwasher, Light (.750)	162
13. Gasket	3

ENCLOSURE TO BASE ARRANGEMENT (ML1605)

Note: The list of gaskets, nuts and bolts shown below with varying quantities, indicates that there are different sizes required. Using the applicable enclosure to base arrangement drawing, the user should procure the gasketing quantities shown and approximately 20% of the hardware quantities shown to cover any hardware which may not be reusable.

1. Seal, Rubber Strip	2
2. Strip	1
3. Gasket	56
4. Caulking	2
5. Gasket, High Temperature Non-Asbestos	1
6. Gasket, Duct	1
7. Gasket, Duct	1
8. Gasket, Dryback Adhesive	1
9. Bolt, Hexhead (.500-13 x 2.00)	*15
10. Washer, Plain Wide (.500 Steel Plain Washer)	*12
11. Bolt, Hexhead (.625-11 x 2.00)	*15
12. Lockwasher, Spring (.625)	*12
13. Nut, Hexagon (.625-11)	*8
14. Screw, Round Head (.190-24 x .750)	*5
15. Washer, Plain Regular (.375 Steel Plain Washer)	*17
16. Bolt, Hexhead (.375-16 x 3.50)	*10
17. Washer, Rubber	*11

FRAME ASSEMBLY, EXHAUST (ML0706)

**1. Gasket	1
**2. Gasket	1
3. Bolt, Hexhead (.625-11 x 1.50)	32

CASE MACHINING, TURBINE (ML0710)

1. Bolt, Twelve-Point Head	*4
2. Nut, Twelve-Point	*4
3. Stud, Body Bound	*1
4. Stud	*1
5. Stud	*1

CASING COMPRESSOR, FORWARD (ML0802)

1. Bolt, Hexhead (Horizontal Joint Bolts)	*3
2. Nut, Hexagon (Horizontal Joint Body Bound Studs)	*2
3. Stud, Body Bound (Horizontal Joint Studs)	*1

CASING COMPRESSOR, AFT (ML0803)

1. Bolt, Hexhead (Horizontal Joint Bolts)	*3
2. Nut, Hexagon (Horizontal Joint Body Bound Studs)	*2
3. Stud, Body Bound (Horizontal Joint Studs)	*1

CASE COMPRESSOR, DISCHARGE (ML0804)

1. Stud, Body Bound (Horizontal Joint Stud)	*1
2. Bolt, Hexhead (Horizontal Joint Bolts)	*1
3. Bolt, Hexhead (Horizontal Joint Bolts)	*4
4. Bolt, Hexhead (Horizontal Joint Bolts)	*6
5. Nut, Hexagon (Horizontal Joint Body Bound Studs)	*2

6. Pin, Dowel (Horizontal Joint Dowel)	*1
7. Insert, Wire Locking (Horizontal Joint Holes)	*5
8. Bolt, Twelve-Point Head (Horizontal Joint Flange)	*1
BOLTING & DOWELING ARRANGEMENT (ML1604)	
1. Bolt, Hexhead (Forward Compressor Casing To Inlet Casing)	*3
2. Bolt, Hexhead (Aft Compressor Casing to Forward Compressor Casing)	*6
3. Bolt, Hexhead (Aft Compressor Casing to Discharge Casing)	*5
4. Bolt, Hexhead (Discharge Casing to Turbine Shell)	*8
5. Bolt, Twelve-Point Head (Turbine Shell to Exhaust Frame)	48
RADIATION SHIELD, THERMOCOUPLE (ML0531)	
1. Radiation Shield Assembly	18
THERMOCOUPLE, EXHAUST & TRIP (ML0623)	
1. Thermocouple, Exhaust & Trip	18
INSTRUMENTATION, TURBINE CASE (ML0215)	
1. Thermocouple, Wheelspace	4
THERMOCOUPLE ARRANGEMENT, STAGE 1 (ML0218)	
1. Thermocouple, Wheelspace	2
FRAME ASSEMBLY, EXHAUST (ML0706)	
1. Thermocouple, Wheelspace	2

Attachment 1: Major Inspection/Overhaul for MS5001P Gas Turbines

I. Turbine Major Inspection Scope

- 1) Remove Accessory Coupling Guard
- 2) Remove Load Coupling Guard
- 3) Remove Load Coupling, Inspect and Check Alignment
- 4) Remove Turbine Compartment Side Panels and Roof
- 5) Perform Combustion Inspection Disassembly Operations
 - a) Remove Liquid Fuel Lines
 - b) Remove Atomizing Air Lines
 - c) Remove Gas Fuel Lines
 - d) Remove Liquid Fuel Check Valves
 - e) Remove Fuel Nozzles
 - f) Remove Flame Detectors and Spark Plugs
 - g) Remove Combustion Casing Covers
 - h) Remove Crossfire Tube Retainers, Crossfire Tubes and Combustion Liners
- 6) Remove Outer Combustion Casings
- 7) Remove Wheelspace Thermocouples
- 8) Remove Upper- and Lower-Half Cooling and Sealing Air Piping
- 9) Remove Exhaust Aft Flex Seals and Turning Vane Bolts
- 10) Remove Forward Exhaust Flex Seals
- 11) Slide Turning Vanes into Load Gear Compartment
- 12) Take Opening Rotor Positioning Checks
- 13) Remove Accessory Coupling, Inspect and Check Alignment
- 14) Establish Solid Foundation and Install Mechanical Support Jacks
- 15) Remove Forward Compressor Casing Bolts
- 16) Remove Upper-Half Inlet Plenum
- 17) Remove Turbine Casing Bolts and Upper-Half First-Stage Nozzle Eccentric Pin
- 18) Remove Exhaust Hood Bolts and Lift into Stack
- 19) Remove Upper-Half Turbine Casing
- 20) Unbolt and Remove Upper-Half Transition Pieces
- 21) Remove Upper-Half, First-Stage Nozzle
- 22) Remove Compressor Discharge and Aft Compressor Casing Bolts
- 23) Remove Upper-Half Forward Compressor Casing
- 24) Remove Upper-Half Compressor Discharge and Aft Compressor Casings
- 25) Remove Upper-Half Inner Compressor Discharge Casing
- 26) Remove Upper-Half, First-Stage Nozzle Support Ring
- 27) Remove Upper-Half Inlet Casing
- 28) Take Turbine Rotor Float (Thrust Clearance)
- 29) Take Turbine Clearance Checks

- 30) Take Compressor Clearance Checks
- 31) Unbolt and Remove Lower-Half Transition Pieces
- 32) Remove Lower-Half First-Stage Nozzle Eccentric Pin
- 33) Remove Lower-Half First-Stage Nozzle
- 34) Remove Lower-Half Second-Stage Nozzle Radial Retaining Pins
- 35) Remove Lower-Half Second-Stage Nozzle Segments
- 36) Remove Upper-Half Second-Stage Nozzle Radial Retaining Pins
- 37) Remove Upper-Half Second-Stage Nozzle Segments
- 38) Perform Combustion Inspections
 - a) Pressure test fuel oil check valves.
 - b) Fuel nozzle inspection
 - c) Inspect combustion liners.
 - d) Inspect crossfire tubes and retainers.
 - e) Inspect transition pieces.
Inspect combustion outer casings.
 - g) Inspect and test spark plugs.
 - h) Inspect and test flame detectors.
- 39) Remove First-Stage Turbine Buckets
- 40) Remove Lower-Half Second-Stage Turbine Shrouds
- 41) Remove Second-Stage Shrouded Tip Buckets
- 42) Remove Upper-Half Number-Two Bearing Housing
- 43) Remove Upper-Half Number-One Bearing Housing
- 44) Inspect Number-One Bearing
- 45) Inspect Number-Two Bearing
- 46) Clean and Inspect Compressor Rotor, Stator Blading, Inlet Guide Vanes, and Compressor and Turbine Casings
- 47) Remove Unit Rotor,
 - a) Replace Compressor Blades at a qualified facility.
 - b) Perform wheel inspection, including in-service inspection of turbine stage 1 and 2 wheels
Note: The rotor weight is 19,800 pounds (8,981 kg).
- 48) Inspect First- and Second-Stage Turbine Buckets and Wheel Dovetails
- 49) Inspect First- and Second-Stage Turbine Shrouds
- 50) Make First-Stage Nozzle Ellipticity Checks
- 51) Inspect First- and Second-Stage Nozzles
- 52) Inspect Second-Stage Nozzle Diaphragms
- 53) Perform Combustion System Inspections including (as a minimum)
 - a) Test fuel check valves.
 - b) Fuel nozzle inspection
 - c) Inspect combustion liners.
 - d) Inspect crossfire tubes and retainers.
 - e) Inspect transition pieces.
 - f) Inspect combustion casings.
 - g) Inspect and test spark plugs.

- h) Inspect and test flame detectors.
- 54) Install Unit Rotor
 - 55) Assemble Number-One Bearing, Thrust Bearing, Deflector and Upper-Half Bearing Housing
 - 56) Assemble Number-Two Bearing, Deflector and Upper-Half Bearing Housing
 - 57) Install Second-Stage Shrouded Tip Buckets
 - 58) Install Lower-Half Second-Stage Turbine Wheel Shrouds
 - 59) Install First-Stage Buckets
 - 60) Re-check Rotor Float and Compressor Clearances
 - 61) Install Turbine Casing Upper-Half For Roundness and Turbine Bucket Tip Clearance Check
Note: Before reinstalling turbine first- and second-stage nozzles and transition pieces, record and review turbine roundness and tip clearance. In order to accomplish this, it is necessary to bolt on the upper half of the turbine shell with the stationary shrouds assembled.
 - 62) Remove Turbine Casing Upper Half
 - 63) Install First-Stage Nozzle Support Ring Lower-Half Shim
 - 64) Install Lower-Half, Second-Stage Nozzle Segments and Radial Retaining Pins
Note: This operation assumes that the diaphragm and nozzle segments are being installed as one assembly.
 - 65) Install Upper-Half, Second-Stage Nozzle Segments and Radial Retaining Pins
Note: This operation assumes that the diaphragm and nozzle segments are being installed as one assembly.
Note: Do not stake the forward and aft seals at the horizontal joint. They are pinned in place.
 - 66) Place Lower-Half Transition Pieces into Combustion Casings
Note: This procedure applies only if the upper half of the turbine casing has been removed and the lower-half combustion casings are still in place.
 - 67) Install Lower-Half First-Stage Nozzle Assembly
 - 68) Install First-Stage Lower-Half Eccentric Pin
 - 69) Recheck Turbine Clearances
 - 70) Install Lower-Half Transition Pieces into Position
 - 71) Install Inner Compressor Discharge Casing Upper Half
 - 72) Install Upper-Half Compressor Discharge and Aft Compressor Casings
Note: Prior to assembly of the upper-half casings, visually inspect the lower half casing to verify that no foreign objects or debris are left in the turbine.
 - 73) Install Upper-Half First-Stage Nozzle Support Ring
 - 74) Install Upper-Half First-Stage Nozzle
 - 75) Install Upper-Half Transition Pieces into Position
 - 76) Install Upper-Half Inlet Casing
 - 77) Install Forward Compressor Casing
 - 78) Install Upper-Half Turbine Casing
 - 79) Install Turbine Casing Bolts

- 80) Install Upper-Half First-Stage Nozzle Eccentric Pin
- 81) Install Exhaust Hood and Bolts
- 82) Install Upper-Half Inlet Plenum
- 83) Remove Mechanical Support Jacks from Underneath Unit Casings

CAUTION

Mechanical support jacks are not to be removed until all upper casings have been installed and all bolts torqued.

- 84) Re-check Accessory Gear to Turbine Alignment
- 85) Install Accessory Coupling
- 86) Take Final Rotor Positioning Checks
- 87) Install Exhaust Turning Vanes

Note: Rotor positioning checks on the second-stage turbine buckets should be completed and acceptable before reinstalling the exhaust turning vanes.

- 88) Assemble Exhaust Plenum Aft Flex Seals
- 89) Assemble Exhaust Plenum Forward Flex Seals
- 90) Install Outer Combustion Casings 2, 3, 4, 5, 6, 7, 8, 9 and 10
- 91) Perform Combustion Inspection Re-Assembly Operations
 - a) Install combustion liners and crossfire tubes.
 - b) Install flame detectors and spark plugs.
 - c) Install combustion casing covers.
 - d) Install fuel nozzles.
 - e) Install fuel check valves.
 - f) Install atomizing air manifold.
 - g) Install fuel gas manifold.
 - h) Install liquid fuel lines.
 - i) Install atomizing air lines to fuel nozzles.
 - j) Install gas lines to fuel nozzles.
- 92) Install Cooling and Sealing Air Piping
- 93) Check Turbine to Load Gear Alignment
- 94) Install Load Coupling
- 95) Install Load Coupling Guard
- 96) Install Accessory Coupling Guard
- 97) Install Wheelspace Thermocouples
- 98) Install Turbine Compartment Roof and Side Panels
- 99) Cleanup, Visual Inspection, Pre-start/Start-up Checks
 - a) Clean up all fuel oil, lube oil and water spills.
 - b) Make visual inspection of the unit as follows:
 - i) Check that all removed piping has been replaced.
 - ii) Check that all removed conduit has been replaced and electrical connections made. Confirm function of all devices reinstalled.
 - iii) Correct any lube, fuel and water leaks observed.
 - iv) Inspect inlet and exhaust plenums, and secure shut.
 - c) Re-connect power to all systems disabled at start of the job. Re-arm the CO2 system.
 - d) Perform precranking checks as follows:
 - i) Record all panel counter readings.

- ii) Check operation of the cooldown/emergency lube oil pump.
- iii) Make visual inspection to see if oil is flowing from bearing drains.
- iv) Check operation of auxiliary hydraulic pump.
- v) Block out excitation and generator breaker equipment.
- vi) Place unit on ratchet and observe for leaks, rubs and control deficiencies.
- vii) Check to ensure fuel pump is primed.
- viii) Check atomizing air compressor (if applicable).
- e) Crank the unit and perform the following checks:
 - i) Observe pickup rpm of speed sensors versus time.
 - ii) Inspect for casing air leaks.
 - iii) Observe and record vibration channel outputs.
 - iv) Observe and record crank speed.
 - v) Check starting means for proper operation.
 - vi) Listen for rubbing noises.
 - vii) Check temperature of lube oil in bearing drains or at the bearing header and tank.
 - viii) Observe all panel pressure gauge readings for abnormalities.
 - ix) Trip unit using the emergency trip and listen for abnormal noises from gas turbine and associated equipment during coastdown.
 - x) Observe proper dropout rpm of speed sensors.
- f) Initiate a start and perform the following zero-to-full speed, no-load checks:
 - i) Observe applicable firing check parameters, spark plugs, flame detectors, relay sequences, exhaust temperature, vibration and speed.
 - ii) Observe and record acceleration rates.
 - iii) Record full set of vibration readings.
 - iv) Observe and record temperature suppression setpoint.
 - v) Note and record pickup time of all appropriate electrical speed relays.
 - vi) Adjust full-speed, no-load rpm to specifications.
 - vii) Check digital setpoint.
 - viii) Take a complete set of running data. See the Running Inspections section in this maintenance instruction.
 - ix) Check for air, oil, fuel, gas and water leaks.
- g) Perform load checks (if applicable).
 - i) Take full set of load data.
 - ii) Check for air, oil, fuel, gas and water leaks.
- h) Observe normal unloading and shutdown as follows:
 - i) Note and record coastdown time.
 - ii) Listen for abnormal noises from gas turbine and associated equipment during coastdown.
 - iii) Observe unit vibration readings during coastdown.
 - iv) Complete preparation of all inspection, start-up and operating data reports.

II. Generator Major Inspection Scope

Test	Areas Of Interest	Inspection Objectives & Assessment
Visual	Stator, Core, & Field as applicable	Foreign Material/Contamination Cleanliness Loose or Displaced Parts Movement Mechanical Damage Deterioration (General) Corrosion Surface Condition and Wear Water Leaks (Water-Cooled Winding) Cracks Worn Parts Burning Blocked Ventilation Bar Sparking Tape Migration Broken Ties Shorted Core Punchings Core Tightness
RTD Element Cu. Res.	Stator Gas & Winding	Check for calibration & poor connections
RTD Ground Insulation	Stator Winding	Insulation condition
Winding Copper Res.	Field & Stator Windings	Check for poor connections & breaks
Megohmmeter	Stator & Field Winding Bearing Ins	Insulation condition Integrity against shaft voltage
Over Potential/Hipot	Stator Winding	Ground wall insulation integrity
DC Leakage Current	Stator Winding	Contamination and/or deterioration
AC Impedance	Field Inter-Turn Insulation	Turn shorts & speed sensitive turn shorts
Magnetic Scalar Potential (EL CID)	Stator Core Insulation	Weak or damaged core enamel
Wedge Tightness Map	Stator Wedges	Detect Wedge Tightness Deterioration

An option shall be provided for retaining ring removal, inspection, and reinstallation.

III. Auxiliary and Control System Major Inspection Scope

Inspection	Typical Scope
Lube Oil Pumps	Wear Ring Clearance Thrust Bearing Wear Bearing Seal Wear
Lube Oil Tank	Peeling Paint Loose Hardware, Fittings on Internal Piping & Tubing Loose or Missing Hardware on Pipe Hangers & Clamps Loose Hardware at Pump Intakes Presence of Sludge & Unusual Foreign Matter in Bottom of Tank
Heat Exchangers	Leakage Contaminated Water Plugging of Leaking Tubes
Radiators	Leaking Seams and Joints Corrosion & Erosion of Fins & Tubes Damaged Parts Cleanliness
Dresser Couplings	Oil Leakage Seal Brittleness
WATER SYSTEM Cooling System Checks	System Fouled with Contaminants Improper Water Flow Incorrect Flow Versus Pressure Drop
Water Tank	Evidence of Tank Leakage Improper Pressure Cap Setting Poor Condition of Cap Gasket & Gasket Surface Damaged Filler Neck Dirt Inside Tank
On-Base Cooling Water Radiator Fans	Dirty Wheel Housing, Ducts & Screens Excessive Vibration Noise Damaged Blades Loose Mounting Bolts Air Flow Obstructed Rust, Corrosion & Peeling
Gear-Driven Cooling Water Pump	Leakage Shaft Seal Dirty Shaft Seal Cooling Water Line & Filter Element Excessive Wear Ring Clearance Excessive Mechanical Seal Wear
False Start Drain Valve	Sequencing During Start-up & Shutdown Proper Operation of Valve Actuator Air & Oil Leaks Worn Diaphragm in Valve Actuator
FUEL GAS SYSTEM Fuel Gas Stop Ratio & Control Valve	Gas Leakage at Stem, Packing Leak off or Vent Hydraulic Cylinder Rod Seal Leakage Rough Operation Improper Operation of Trip Relay

Inspection	Typical Scope
SPEEDTRONIC* Control Loop	Damage Control Surfaces of Valve Plug & Seat Trip Action with Loss of Hydraulic Trip Oil Valve Unstable, Slow Movement, Stroke out of Specification, P2 in Error Calibration, FSR versus Stroke, Gas Control Valve Speed versus P2 Speed Ratio Valve, P2 Transducer Calibration LVDTs Calibration Electronic Trip Action of 20FG Check 20FG for Proper Null Bias
HIGH-PRESSURE CONTROL OIL SYSTEM HYDRAULIC SUPPLY Main Hydraulic Supply Pump (Shaft-Driven) Auxiliary Hydraulic Supply Pump Hydraulic Supply Manifold Air Bleed Valves Hydraulic System Piping	Excessive Vibration or Unusual Noise Improper Discharge Pressure Relief Valve Leaking Leakage at Shaft & Mounting Flanges Low Discharge Pressure Leakage Around Shaft & Mounting Flanges Excessive Vibration or Unusual Noise Connections Loose or Leaking Improper Air Bleed Valve Operation Leaking Pipe Connections
INLET GUIDE VANE CONTROL SYSTEM Operation & Calibration	Inlet Guide Vanes Proper Operation Calibration 20TV Trip Servo Valve for Null Bias Check Trip Action of Inlet Guide Vanes with Loss of Hydraulic Trip Oil Check Operation & Sequencing of Compressor Bleed Valves Leakage in the System
COOLING AND SEALING AIR SYSTEM Piping Compressor Bleed Valve	Orifice Plates Orifice Unions Leakage Loose Hardware, Hangers and Clamps Vibration Sluggish Movement Open/Close Leakage
ATOMIZING AIR SYSTEM Atomizing Air Compressor Starting Atomizing Air Compressor	Improper Absolute Pressure Ratio Failing Oil Seal Belt Loose or Worn Seal Leaking

Inspection	Typical Scope
Compressor Air Filter Atomizing Air Precooler Air Separators	Dirty Filter Signs of Moisture Air Leaks on Air Side Water Leaks on Tube side Drop in Pressure Performance Reduction Scale, Sludge, Deposits Plugging of Leaking Tubes Plugged Blowdown Lines
STARTING SYSTEM Diesel Engine Starting Clutch Torque Converter Tubing Connections & Hydraulic Hoses Ratchet System Accessory Gear Train	OEM Recommended Engine Checks Improper Clearance of Clutch Jaws at Engaged & Disengaged Positions Improper Operation of Limit Switch Worn Clutch Jaws External Oil Leaks at Shaft Seals, Bolted Flanges, Cover Plates Leakage, Wear, Chafing & Abrasions Oil Leakage Dirt in Commutator Faulty Pump Gears Pitted, Scored, Galled Broken Teeth & Gear Wear Gearbox Bearing Condition
OVERSPEED PROTECTION (MECHANICAL) Hydraulic Trip System Overspeed Trip Assembly Overspeed Bolt Assembly	Improper Trip Oil Pressure Quick Positive Trip & Smooth Reset Action Indication of Switch Arcing Leaking Control Oil Seal & Flange Gasket Low/High Turbine Trip Speed not to Exceed Normal Trip Out per Control Specification by more than 1.0% Quick Positive Trip Action Improper Clearance Between Trigger & Shaft with the Overspeed Trip Assembly in the Reset Position Improper Clearance Between Trigger & Bolt with the Overspeed Trip Assembly in the Reset Position Severe Brinelling & Mushrooming of the Bolt End
CONTROL SYSTEM	

Inspection	Typical Scope
Power Supply	Improper 5, 12, 12, 28 & \pm 50 Voltages. Refer to Unit Control Specifications for Appropriate Voltages for Given Unit System. Grounds
Startup Control Loop	Improper FSR during Start-up Firing, Warm-up, Minimum, & Maximum FSR meet Limits of Control Specifications
Speed Sensors & Relays	Speed Relays Pick-up & Drop out Properly Speed Detection Circuits Calibrated to Control Specifications
Speed/Load Control Loop	Calibrate to Control Specifications
Temperature Control	Exhaust Temperature on Control Curve per Control Specifications Excessive Spread Between Thermocouples Calibration to Control Specifications PCD Transducer (96CD) Calibration Thermocouple Grounds & Open Circuits
Overtemperature Protection	Calibration of Alarm & Trip Points to Control Specifications Thermocouple Grounds & Open Circuits
Vibration Protection System	Calibration of Alarm & Trip Settings
Flame Detection & Protection System	Dirty, Damaged or Defective Scanner Lens High- or Low- Input Voltage Loose Terminals Improper Operation & Sequencing
Overspeed Protection (Electronic)	Low-/High-Turbine Electronic Trip Speed Not to Exceed Normal (Trip out by More Than 1.0%) Calibration of Electronic Trip System Improper Magnetic Pickups Clearance Settings
CONTROL SYSTEM PANELS Power Supply	Corrosion or Discoloration Due to Heat Damaged Wiring or Connections Dirty Circuit Boards Dirty Card Guides Cards Plugged in Properly
Relay Contacts	Contacts Dirty or Worn Contacts Arcing Excessively Deformed Contacts Reduced Contact Pressure
Control Panels	Panels Dirty, Dusty or Greasy
Switch Panel	Improper Operating Sequence
STATION AUXILIARIES AND SERVICE Battery	Improper Specific Gravity at Pilot Cell

Inspection	Typical Scope
Battery Charger	Low-Electrolyte Level at Pilot Cell Loose & Dirty Connections Damaged Containers & Cell Covers Faulty Sealing or Missing Vent Plugs Improper Specific Gravity & Low Electrolyte at Any One Cell Dirty Charger Voltmeter out of Calibration Faulty Capacitors & Diodes
MOTOR CONTROL CENTER Main Bus Insulators Main Vertical Bus Joints & Main Bus Supports Magnetic Contactors & Starters Magnetic Relays General Purpose Contactors	Dirty Bus Insulators & Barriers Loose Connections Dirty Contactors & Starters Loose Connections Contacts Welded Together, Worn & Arcing Dirt, Dust, Oil, Grease Damaged Arc Chute Improper Arcing Horn Clearances Improper Armature Spring Adjustment Weak Contact Pressure
LOAD GEAR AND COLLECTOR COMPARTMENTS Load Gear Rubber Expansion Joints Generator Ends & Compartment Interfaces Collector Compartment Air Filters	Gears Pitted, Scored, Galled Broken Teeth & Gear Wear Gearbox Bearing Condition Loose Joints Accumulation of Dust & Dirt Clogged Cooling Air Discharge Vents Seals Damaged, or Not Watertight Dirty Filters

IV. Documentation

A report is required to document the as-found and as-left condition of the turbines. As a minimum, the report must address the following:

- Site & Turbine/Generator Basic Information
- Coupling Condition and Alignments
 - Coupling Alignments
 - Load Coupling
 - Accessory Coupling
- Combustion Systems
 - Fuel Nozzles
 - Simple Cycle Combustion System (Casing)
 - Combustion System (Liner)
 - Combustion System (Crossfire Tube)
 - Transition Piece Inspection
- Hot Gas Path
 - 1st Stage Nozzle (General Condition and Ellipticity)
 - 1st Stage Nozzle (Cracking and Trailing Edge Bowing)
 - 1st Stage Bucket Inspection
 - 1st Stage Shroud (General Condition)
 - 2nd Stage Nozzle (General Condition and Ellipticity)
 - 2nd Stage Nozzle (Drop Check)
 - 2nd Stage Nozzle (Cracking and Trailing Edge Bowing)
 - 2nd Stage Bucket Inspection
 - 2nd Stage Shroud (General Condition)
 - 2nd Stage Diaphragm (Interstage Packing and Wheelspace Seal Condition)
- Compressor Section
 - Variable Inlet Guide Vanes (General Conditions and Clearances)
 - Compressor (Blade/Vane Condition)
- Rotor Items
 - Overspeed Bolt and Trip Assembly
 - Turbine Rotor Clearances
 - Rotor Positioning Checks (Opening and Closing)
 - Compressor Rotor Clearances
- Bearings
 - Thrust Bearings
 - Sleeve Journal Bearings
 - No. 1 Bearing and Seal Clearances
 - No. 2 Bearing and Seal Clearances
- Unit Casings Jacking Record
- Gearbox Inspections
 - Accessory Gearbox
 - Load Gearbox
- Accessories
 - Oil Pumps
 - Starting Motor
 - Torque Converter
- Generator
 - Field
 - Stator
- Control and Protection Systems
- Factory Advisories Applied
- Renewal Parts Installed

TECHNICAL SERVICES CONTRACT

SCHEDULE OF QUANTITIES AND PRICES

INSPECTION AND OVERHAUL OVERSIGHT SERVICES FOR REFURBISHMENT AND/OR REPAIR OF PTCH AND SHUAIBAH POWER PLANTS

1.0 WORK TO BE PERFORMED

CONTRACTOR shall provide at least three (3) "Technical Advisors/Specialist" to inspect, and oversight of the PTCH and Shuaibah Power Plants in accordance with the Contract documents. Jobsite is located at the Southern Iraq.

2.0 UNIT PRICES

Unit prices shall be firm all-inclusive unit prices. Payment of the unit prices shall constitute full payment for performance of the corresponding work and shall cover all costs of whatever nature incurred by CONTRACTOR in accomplishing the Work in accordance with the provisions of this Contract.

3.0 FIXED RATES

The Fixed rates listed below in section 6.0 shall be firm all-inclusive fixed rates, moderated only by the applicable pricing notes in the same section. Payment of the fixed rates shall constitute full payment for performance of the corresponding Work and shall cover all costs of whatever nature incurred by CONTRACTOR in accomplishing the Work in accordance with the provisions of this Contract.

4.0 ADJUSTMENTS

All prices are fixed for the duration of the subcontract and are not subject to escalation for any cause. Payment of the Total Contract Price shall constitute full payment for performance of the Work and covers all costs of whatever nature incurred by CONTRACTOR in accomplishing the Work in accordance with the provisions of the subcontract.

CONTRACTOR shall maintain all work in progress until it is accepted. CONTRACTOR shall repair, rework or replace as necessary any work damaged or lost due to normal wear and tear, anticipated events, or conditions within its control. No separate payment shall be made for such maintenance costs that are deemed included in the original subcontract price. Any failure to maintain the Work shall be considered a defect in accordance with the General Condition titled "WARRANTY."

5.0 REQUIRED SUBMITTALS

5.1 The following submittals are a prerequisite to commencement of the work

5.1.1 Insurance Certificates and Securities in the prescribed form

5.1.2 Quality Plan

5.2 The following submittals are a prerequisite to initial payment:

5.2.1 Contract Schedule,

5.2.2 Insurance Certificates and Securities in the prescribed form,

5.2.3 Quality Plan, and

5.3 The following submittals are a prerequisite for final payment

5.3.1 Inspection Reports

6.0 SCHEDULE OF UNIT PRICES

Item	Description	Unit	Fixed Unit Rate (US\$)
6.1	PERSONNEL	*	*
6.1.1	Mechanical Technical Advisor/Specialist (10 hours per day)	Day	
6.1.2	Mechanical Technical Advisor/Specialist (over 10 hours)	Hour	
6.1.3	Electrical Technical Advisor/Specialist (10 hours per day)	Day	
6.1.4	Electrical Technical Advisor/Specialist (over 10 hours)	Hour	
6.1.5	Instrumentations and Controls Technical Advisor/Specialist (10 hours per day)	Day	
6.1.6	Instrumentations and Controls Technical Advisor/Specialist (over 10 hours)	Hour	
6.2	PARTS	*	*
6.2.1	Kits in accordance with Exhibit D (One complete sets per turbine)	Set	
6.2.2	Special Test Equipment (rental for two complete sets if necessary)	Lot	

Notes on Pricing:

- Insurance:** CONTRACTOR shall be paid, per the provisions of _____ for the additional "war risks" and similar insurances it purchases for protection in this environment of its resources. Actual cost(s) associated with the purchase of additional insurance coverage, e.g., DBA and MEDEVAC, not normally included in CPA'S standard insurances shall be reimbursed at actual receipted cost.
- Travel:** All travel reimbursed directly or indirectly through this subcontract is subject to CPA'S prior written authorization. All travel reimbursable separately under this subcontract shall be limited to that necessary to complete assessment activities and subject to reimbursement at actual receipted cost to CONTRACTOR with no markup. Additionally, the following travel provisions apply, if the travel is to be reimbursed through this subcontract:
 - Air travel shall be at the least cost available, e.g., 7-days advance booking if possible, and in accordance with U.S. Federal Government rates.
 - All Hotel and similar lodging shall be at the standard room rates applicable for U.S. Federal Government work.
 - All vehicle rentals shall be in accordance with least cost economy class transportation, with rates no higher than U.S. Federal Government rates.
 - Receipts are required for all expenses higher than \$75 per expense, inclusive of all transportation.
- Work Week/Hours:** The Work schedule is 7 days per week, and a minimum of 10 hours per day. For the purposes of payment under this subcontract, **NO HOLIDAYS** are recognized. That is, on those days recognized as Holidays at the location of work, work for this project shall proceed as if it is a regular work

day. Any premium time payable by labor law in the governing jurisdiction shall be built into the Section 6.0 rate structure by CONTRACTOR. No additional payment will be made by CPA.

4. **Security, Safety, and Subsistence:** CONTRACTOR is responsible for its own arrangements, and shall be required to be self-sufficient. That is, CPA is not providing any support for security, housing, or arranging travel for CONTRACTOR personnel.

7.0 MEASUREMENT FOR PAYMENT

7.1 Personnel (reference 6.1)

Payment will be on a day-work basis for the Specialist/Vendor Representative, based on the unit rates in table 6.0

7.2 Tools (reference 6.2)

Payment will be lump sum based on delivery of the tools to the jobsites and confirmation that the invoices match the tool lists

8.0 LIMITATION OF CONTRACT FUNDS

In no event shall CONTRACTOR be reimbursed in excess of the below prescribed total amount, unless a formal Contract Change is executed to increase the specified amount.

NOT-TO-EXCEED CONTRACT VALUE:

\$ _____ USD

Actual reimbursement shall be limited to the cumulative value of CONTRACTOR approved charges in accordance with the above prescribed compensation elements, and the Subcontract Value adjusted accordingly.

CONTRACTOR shall be responsible for notifying CPA within five (5) calendar days when the cumulative approved charges under this Subcontract reach 75% of the NOT-TO-EXCEED CONTRACT VALUE, inclusive of any subsequent Change Orders. CONTRACTOR shall include in this notice an estimate of the total funding required to complete all Work as identified and incorporated into the Contract as of the date of this notice.

CPA will review this information in conjunction with:

- 1 the Work completed as of the date of such notice,
- 2 the planned remaining Work to be completed as of the date of such notice, and
- 3 any other pertinent considerations.

If the total of the charges to date and CONTRACTOR'S estimate for the cost of the remaining Work exceed the specified NOT-TO-EXCEED CONTRACT VALUE, CONTRACTOR will then either:

- 1 confirm that CONTRACTOR is to proceed with the remaining Work and describe any action to be taken regarding funding adjustments, or
- 2 instruct CONTRACTOR to continue with the Work up to a specified limit, including prioritization of remaining Work, or
- 3 invoke the Termination provisions of the Contract.

Nothing in this clause shall excuse CONTRACTOR from proceeding with performance of all Work pending CONTRACTOR'S review of funding authorization requirements. CONTRACTOR shall be solely responsible for any charges disallowed due to failure to provide the specified 75% Funding Expenditure Notice.

9.0 AUTHORIZED REPRESENTATIVE

CONTRACTOR has designated below a representative authorized to make binding and enforceable decisions and assume financial responsibility on behalf of CONTRACTOR in all matters relating to the administration and performance of this Subcontract. Such matters include, but are not limited to, backcharges, change notices and Contract Change Orders.

NAME: _____
TITLE: _____
BUSINESS ADDRESS: _____
BUSINESS PHONE: _____
EMAIL: _____
FAX: _____

State Owned Enterprises- Company Overviews

COPE - Ministry of Industry & Minerals

Note: All currency figures are in 000's of Iraqi Dinars unless otherwise noted.

1. General Information

Company Name:	State Company for Phosphates
Sector	Fertilizer / Petrochemical
Brief Description	Produces TSP and NP, primarily for Ministry of Agriculture.
Revenue in 2002 (Iraqi Dinars '000s)	20,000,000
# of Employees	3,212
Annual Employee Salaries & Bonus	8,000,000
Headquarters Address	Alanbar-AlQaim PO Box 5954 Baghdad
Director General Name	Abdul Wadod Abdul Satthar Mahmud
Telephone #	
Fax #	8861200
Email Address	
Banks Used	Rafidain Bank

2. Company Highlights

Significant local demand for agriculture industry.
 Cheap local supplies of raw materials.
 Potential to increase production 5x to generate 250 billion ID in annual revenue at open market rates.
 Plant was only operating at 20% capacity before the war due to age of equipment and upgrade needs.
 Would require \$100 million USD investment to increase production. \$30M USD in capex was planned for 2003.
 Allocated \$5M (Dr. Alzaidei and Dr. Waleed strongly opposed) USD for 2H 2003 operating budget and provided with zero mw off of grid due to "difficulties with transport", which probably means the transmission lines are down.
 Large allocation of budget appears to be a result of desire to keep finished goods prices low for agriculture sector. People opposed to this allocation argue that agriculture subsidies should be paid for by Agriculture Ministry, not the Phosphate Co. Other use of \$5M may be for upgrades and other capex, which this money is not technically supposed to be used for (it is meant as operating capital only). Furthermore, if no electricity is being supplied, how is Company planning on operating at all?

3. Facilities

<u>Name</u>	<u>Province</u>	<u>City</u>	<u>Grid</u>	<u>Damage %</u>	<u>Power Needs</u>
Water Treatment Plant		Al-Qaim		30%	15 to 25 mw
Midway Pumping Station		Al-Qaim		80%	for all facilities
Mine trail Bridge		Al-Qaim		100%	
Unit 100 Conveyor Belt		Al-Qaim		40%	
Value of All Plant & Equipment Before War, and Initial Purchase Dates and Prices for Major Items					

4. Products

<u>Product Name</u>	<u>Unit Measurement</u>	<u>Design Capacity</u>	<u>Available Capacity</u>	<u>2002 Production</u>	<u>2002 Revenue</u>
TSP	Tons	600,000	100,000	112,210	8,000,000
NP	Tons	655,000	450,000	343,340	12,000,000
Description of Importance of Products to Other Iraqi Industries					
Iraqi agricultural sector relies heavily on Company's products.					

5. Customers

<u>Customer Name</u>	<u>2002 Revenue</u>	<u>Subsidized (Y/N)</u>	<u>Products Sold to Customer and Unit Pricing</u>
Ministry of Agriculture	Almost 100%	Yes	TSP at 67K ID/ton, NP at 37K ID/ton.
Private Companies			

6. Suppliers

<u>Supplier Name</u>	<u>2002 Purchases</u>	<u>Subsidized (Y/N)</u>	<u>Products Purchased and Unit Pricing</u>
State Co. for Fertilizers		Yes	
State Co. For Sulfur		Yes	
Current Payment Terms From Suppliers			

7. Imports & Exports

2002 Import Markets for Raw Materials	None
Potential Import Markets in Free Market	Yes, potassium salts to produce NPK.

Company Name:	State Company for Phosphates
2002 Export Markets for Finished Products	None
Potential Export Markets in Free Market	Surrounding countries. Mgmt believes it could sell 120B ID/year to export market.

8. available

Description of Competitive Situation	None in Iraq. There is competition from imports, though.
Market Share Description	Not currently satisfying all of Iraqi demand due only to capacity constraints.

9. Summary of War Damage & Looting of Property & Equipment

Description of Damage	Water treatment plant, pumping station, bridge and conveyer belt all damaged.
Current Operating Status	Not operating mainly due to lack of electricity.
Immediate Property & Equipment Needs To Restart Operations	Company needs significant capex, not so much due to war, but due to lack of spare parts over last 13 years. Needs \$3M USD for spare parts and components ASAP.
Total Cost to Return to Pre-War Condition	

10. Inventory Status

Raw Material Status	Urea 3,000 tons, Sulphate 1,000 tons, Ammonia 1000 Tons.
Months of Material Supplies & Production Rate	Sulphate / Phosphate are available. Urea and Ammonia will be available once the Fertilizer Companies start working.
Immediate Raw Material Needs	
Finished Products Supply (Units and Value)	25K tons of phosphate fertilizers worth \$1.5M USD in free market.

11. Fuel & Electricity Needs

Description of Fuel Needs	
Description of Electricity Needs	15 to 25 mw, depending on who you ask.

12. Other Needs to Restart

Working Capital Needs	Needs to purchase raw materials, including gas, ammonia, urea and phosphate.
Security Needs	Given that Auditors are afraid to visit site, security still appears to be an issue.
Other Needs	

13. Strengths, Weaknesses, Opportunities & Threats

Description of Strengths	All raw materials are available in Iraq, low cost of production, good opportunity to export.
Description of Weaknesses	Age of the company is 20 years and there has been hardly any update on equipment, training etc...
Description of Opportunities	Good opportunities to increase production.
Description of Threats	Company sees no major threat if it had capex budget. Unclear if efficiency of factories will allow it to compete against imports in free market.

14. Long Term Strategy

Description of Strategy	Increase quality and quantity, regional and global marketing.
Potential New Products	Possible addition potassium seeds to produce NPK.
Potential Partnership Opportunities	There are good partnership opportunities with other fertilizers producers.

15. Revenue and Costs Overview

Company Name:	State Company for Phosphates
Description of How Pricing Was Set	Set by Ministry. TSP sold in open market at 100K ID/ton, but Company sold it to Ministry of Agriculture at 67K ID/ton. NP sold in open market at 58K ID/ton, but Company sold it at 37K ID/ton.
Description of Production Costs	Including subsidies, Company produces TSP at 60K ID/ton and NP at 30K ID/ton.
Potential for Profitability in Free Market	Unclear. Need to determine cost of stripping out all subsidies.

16. Financials - 2002

<u>Income Statement</u>	<u>Iraqi Dinars (000's)</u>	<u>Notes</u>
Revenue	20,000,000	
Cost of Goods		
Gross Margin	20,000,000	
GM as % of Rev	100%	
Personnel	6,415,000	
Sales & Mktg	0	
R & D	1,314	
Fuel and Electricity	366,000	
Other Operating Expenses	421,000	
Operating Margin		
OM as % of Rev	0%	
Interest Exp		
Extraordinary Exp		
Profit Before Tax		
Taxes		
Net Income	6,400,000	

Capital Expenditures

2002 Total & Description of Major Purchases

Balance Sheet

Assets	5,785,000
Cash	
Accts Receivable	
Inventory	3,288,000
Other Current Assets	
Total Current Assets	
PP&E	
Other Assets	
Total Assets	4,000,000
Liabilities	
Accts Payable	
Other ST Liabilities	
Total ST Liabilities	
LT Debt	
Other LT Liabilities	
Total Liabilities	2,500,000
Total Equity	

17. Financials - Projections & Current Situation

<u>Current Situation</u>	<u>Amount</u>	<u>As of (Date)</u>	<u>Notes</u>
Cash in Bank	2,000,000	Jun-03	
Available Bank Credit Line			
Accounts Receivable			
Total Assets			
Accounts Payable			
Drawn Bank Credit Line			
Other Debt			
Total Liabilities			

Projections

Original 2003 Revenue Projection	27,000,000
Most Recent 2003 Revenue Projection	

Company Name:

State Company for Phosphates

18. Historical Subsidies

Overview of Subsidization

All major raw materials were subsidized, including Urea, Sulfur, natural gas and electricity.

Amount Notes

Total MOUs received in 2002 (in US \$)

Total Bilateral Contracts in 2002 (in US \$)

Other Direct Subsidies

19. Accounting Standards

How Often Financial Statements Are Prepared

Once a year

Audits Performed (Y/N) and by Who

Yes, audits performed by the audit department. SBA unable to do current audit for fear of traveling to facilities - area still dangerous.

20. Additional Information on Company on File

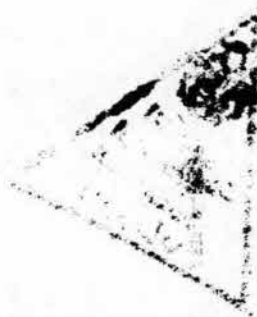
3 page overview of site visit by Dr. Shakir Alzaidi, IRDC, CPA MIM Advisor.

21. Notes

The company has great potential because of the availability of all raw materials, fuel, low labor costs and the needs for fertilizers inside and outside Iraq. They need electricity and spare parts to restart factories.

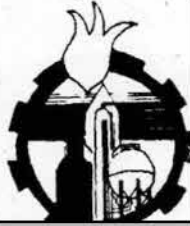
List of the Names

* The people
that they been
moved (according to
this document) from
Qaen phosphate to
~~Basra~~ Basra Petrochem



(b)(6)

STATE COMPANY FOR
PETROCHEMICAL IND.
(SCPI)



Foreign Language

Foreign Language

CPA - South

MEMORANDUM

To: The Company Accountant - Petrochemical Plant, Dept of Trade & Industry

From: CPA Finance

SUBJ: AUTHORISATION FOR THE DISBURSEMENT OF FUNDS FOR CONTRACTORS

1. Please alter your August payroll as follows:

Add 161 workers at the rate of \$USD 60.00 per month.

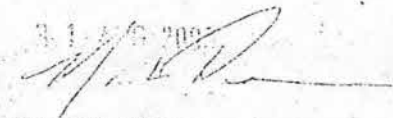
Add 9 workers at the rate of \$USD 120 per month.

2. \$USD 1,080
9,660
10,740 Per Month ✓
21,480 For July and August

3. These workers are contract workers for the period of 6 months (July 03 to Dec 03). As such, their names are to be added to the payroll records, identified as contractors and their wages drawn from the company Operating budget.

4. Payment for the months of July and August to be paid in August payroll.

CPA FINANCE



CPA (S) Finance

31 Aug 03

Distribution:

Company Accountant - Petrochemical Plant
Treasury
File

State Owned Enterprises- Company Overviews **OCPA - Ministry of Industry & Minerals**

Note: All currency figures are in 000's of Iraqi Dinars unless otherwise noted.

1. General Information

Company Name:	State Company for Petrochemical Industry
Sector	Fertilizer / Petrochemical
Brief Description	Manufacturing plant erected in 1976 by Loomis. Main products include ethylenes, chlorine and caustic soda. The Company is divided into 7 units based on products.
Revenue in 2002 (Iraqi Dinars '000s)	25,398,980
# of Employees	3,872
Annual Employee Salaries & Bonus	5,209,364 Company earlier claimed 6.7B ID
Headquarters Address	Basrah, Khur Al Zubir
Director General Name	Abdul Amir Salih Abdullah
Telephone #	8863696, 8864881, 210840, 210842
Fax #	8863696
Email Address	
Banks Used	Rafedan Amman

2. Company Highlights

Significant local demand for products (PVC, chlorine and ethylene).
Operating margin of 10 billion ID. This margin will provide a cushion when raw material subsidies are removed.
Potential for ISO 9000 certification within 12 months, which would increase export opportunities.
6 months of inventory on hand. No immediate working capital issues.
Complete property, plant & equipment rebuild is not necessary. Only spare parts are currently needed.
Management believes it can be self-sustaining if gas and electric comes back online.
World Bank industrial analysts believe ethylene plant is worth saving, but all other production lines are uncompetitive and should be shut down.
Biggest customer was Iraqi military.
Company benefits 10B ID from CPA policy of cancelling inter-governmental debts.
Allocated \$3M USD for 2H 2003 operating budget and provided with 15 mw off of grid.

3. Facilities

<u>Name</u>	<u>Province</u>	<u>City</u>	<u>Grid</u>	<u>Damage %</u>	<u>Power Needs</u>
Main Factory		Basra		5%	25 mw
Value of All Plant & Equipment Before War, and Initial Purchase Dates and Prices for Major Items	All plants have significant spare parts and repair needs after 13 years of restrictions, but are still operational at limited capacity. Total rehab of facilities would cost \$50M USD. Company claims initial construction cost in 1976 was \$1.2 billion USD.				

4. Products

<u>Product Name</u>	<u>Unit Measurement</u>	<u>Design Capacity</u>	<u>Available Capacity</u>	<u>2002 Production</u>	<u>2002 Revenue</u>
Ethylene	Ton	132,000	85,000	35,070	All ethylene products generated 13.8B
LD Polyethylene	Ton	60,000	43,000	18,425	
HD Polyethylene	Ton	30,000	22,000	9,289	
Chlorine	Ton	42,000	13,000	3,127	
Caustic Soda 50%	Ton	84,000	26,000	2,905	
PVC	Ton	16,000	15,000	179	2,976,000
Agricultural films	Ton	15,000	15,000	0	
HCL	Ton	4,800	4,800	371	
Description of Importance of Products to Other Iraqi Industries	Chlorine needed for water purification. PVC needed for construction. Ethylene needed by plastics sector.				

5. Customers

<u>Customer Name</u>	<u>2002 Revenue</u>	<u>Subsidized (Y/N)</u>	<u>Products Sold to Customer and Unit Pricing</u>
Iraqi Military	Over 50% of total		Ethylene products sold at 800K ID/ton, agricultural films at 900K, and chlorine at 250K.
Water Authority			
Other SOEs			
Exports via Middlement			

6. Suppliers

<u>Supplier Name</u>	<u>2002 Purchases</u>	<u>Subsidized (Y/N)</u>	<u>Products Purchased and Unit Pricing</u>
German Suppliers			Catalysts and additives
Thalut-Emad (Jordan)	\$1.2M USD		Chemicals
Nalco (Italy)	\$750K USD		Water treatment chemicals
Saja (Jordan)	\$190K USD		Hexane 1 and catalysts
Current Payment Terms From Suppliers			

7. Imports & Exports

Company Name:	State Company for Petrochemical Industry
2002 Import Markets for Raw Materials	Catalysts and additives from Germany.
Potential Import Markets in Free Market	New production units from American and German suppliers
2002 Export Markets for Finished Products	Final destination of many sales was unknown since middlemen were used. 2,600 tons of polyethylene pellets were exported to Syria at \$510 USD per ton = \$1.3M USD.
Potential Export Markets in Free Market	Middle East and Southeast Asia if production capacity is increased and ISO certification is approved.

8. Competition

Description of Competitive Situation	Iran, Saudi Arabia and Kuwait all competing (natural gas is main ingredient).
Market Share Description	60-90% of local demand, depending on who you ask.

9. Summary of War Damage & Looting of Property & Equipment

Description of Damage	Minimal damage.
Current Operating Status	Main facilities not operating. Need security, stable gas pressure and electricity. Water purification facilities are operating, producing 1,000 m3 per hour.
Immediate Property & Equipment Needs To Restart Operations	Various spare parts.
Total Cost to Return to Pre-War Condition	150K ID.

10. Inventory Status

Raw Material Status	Good. Has raw materials worth 2.1B ID.
Months of Material Supplies & Production Rate	6 months worth of inventory on hand and paid for.
Immediate Raw Material Needs	Steady gas pressure.
Finished Products Supply (Units and Value)	

11. Fuel & Electricity Needs

Description of Fuel Needs	10 million cubic feet per day of natural gas at 25 bar pressure to start production. Will need to ramp to 90 million cubic feet to return to normal production of all products.
Description of Electricity Needs	25 mw, comprised of 10 mw per line for 2 lines and 5 mw for misc needs. Will provide this through own generators if fuel can be acquired.

12. Other Needs to Restart

Working Capital Needs	550M ID per month in salaries. Other costs not yet quantified.
Security Needs	Yes, need security to protect property and inventory.
Other Needs	Technical help to study state of equipment and improvements to be introduced to upgrade capacity.

13. Strengths, Weaknesses, Opportunities & Threats

Description of Strengths	Sole producer of polyethylene in Iraq.
Description of Weaknesses	Facilities have been neglected over last 13 years. \$50M USD would be needed to completely refurbish plant and produce at design capacity levels. Can not pass ISO certification.
Description of Opportunities	Export market, especially once ISO 9000 certified. Diversify production.
Description of Threats	Equipment problems. Some ongoing security issues.

14. Long Term Strategy

Description of Strategy	Complete overhaul of production lines to improve efficiency.
Potential New Products	HD and LP polyethylene products, polypropylene, SBR and PVC production.
Potential Partnership Opportunities	Would like to find international partners, but does not have any particular ones in mind.

Company Name:

State Company for Petrochemical Industry

15. Revenue and Costs Overview

Description of How Pricing Was Set

Company suggested and Ministry approved prices. Company claims they are at market price.
Ethylene products sold at 800K ID/ton, agricultural films at 900K, and chlorine at 250K.

Description of Production Costs

Potential for Profitability in Free Market

Profitability depends on capacity utilization, which needs to get above 55% to gain economies of scale. Otherwise, unit production costs will not be competitive.

16. Financials - 2002Income StatementIraqi Dinars (000's) Notes

Revenue	25,398,980	
Cost of Goods	2,298,766	
Gross Margin	23,100,214	
GM as % of Rev	91%	
Personnel	5,209,364	
Sales & Mktg	6,550	
R & D	0	Handled by MIM research department.
Spare Parts	2,598,388	
Fuel and Electricity	128,926	Company claims to have used 115 mw of electricity, not 25mw as reported.
Other Operating Expenses	124,474	
Other Operating Expenses	3,568,869	Not identified
Operating Margin	11,463,643	
OM as % of Rev	45%	

Capital Expenditures

2002 Total & Description of Major Purchases

Received \$4.5M USD in parts and machinery via MOU. Spent an additional 831M ID on furniture, computers, tools, etc.

17. Financials - Projections & Current SituationCurrent SituationAmountAs of (Date) Notes

Cash in Bank	2,000,000	Jun-03
Available Bank Credit Line		
Accounts Receivable	492,117	All from Government entities
Total Assets		
Accounts Payable	911,607	Mostly to local private suppliers
Drawn Bank Credit Line	11,689,521	Mostly to MOF
Other Debt	590,204	For 2002 profit share to employees
Total Liabilities		

Projections

Original 2003 Revenue Projection	43,557,750
Most Recent 2003 Revenue Projection	

18. Historical Subsidies

Overview of Subsidization

Natural gas and electricity. Also receives capex needs through MOU subsidies.

Amount Notes

Total MOUs received in 2002 (in US \$)	4,500,000	For ethylene production pump and other equipment, not raw materials.
Total Bilateral Contracts in 2002 (in US \$)		
Other Direct Subsidies		

19. Accounting Standards

How Often Financial Statements Are Prepared

Once a year.

Audits Performed (Y/N) and by Who

Yes, by SBA - including 2002.

20. Additional Information on Company on File

Accounts receivable list and other financial details (all in Arabic).

List of equipment purchases waiting for delivery.

Many color pictures of facilities

3 page overview of facilities by Dr. Shakir Alzaidi, IRDC, CPA MIM Advisor

100+ pages in Arabic - looks like detailed financials and ledgers.

Company brochures

21. Notes

(b)(6)

From: (b)(6)
Sent: Sunday, February 22, 2004 3:59 PM
To: (b)(6)
Cc:
Subject: RE: Contract for reburishment of 4X20 MW gas turbines State Petrochemical Company Basra

Sir

Great

This is the suriest one we have for all the power initiatives for the SOEs

Are all the paratroopers in your office about to pull out..are you leaving too?

(b)(6)

----- Original Message -----

From: (b)(6) O-5)
Sent: Sunday, February 22, 2004 3:52 PM
To: (b)(6)
Subject: FW: Contract for reburishment of 4X20 MW gas turbines State Petrochemical Company Basra

(b)(6) I checked to be sure. Looks fine. Stay close to Electrical and QI for coordination.

(b)(6)

----- Original Message -----

From: (b)(6)
Sent: Sunday, February 22, 2004 2:56 PM
To: (b)(6)
Subject: RE: Contract for reburishment of 4X20 MW gas turbines State Petrochemical Company Basra

(b)(6)

These are existing units and are included in the fuel plan. We are counting on about 100MW from these units post-rehab. -Randy

----- Original Message -----

From: (b)(6)
Sent: Sunday, February 22, 2004 1:48 PM
To: (b)(6) McGuckin, Robyn
Subject: FW: Contract for reburishment of 4X20 MW gas turbines State Petrochemical Company Basra

(b)(6) and (b)(6) Are you all aware of this power station down south? Fuel? Synchronization with the local system?

(b)(6)

----- Original Message -----

From: (b)(6)
Sent: Sunday, February 22, 2004 10:42 AM
To: (b)(6)
Cc: (b)(6)
(b)(6)
Subject: RE: Contract for reburishment of 4X20 MW gas turbines State Petrochemical Company Basra

Sir

The Basra Petrochemical GE Frame 5 upgrade RFPs were initiated by the MbE.

(b)(6): we'll assume that the technical assessment included confirming that natural gas is available to the facility...

(b)(6) USMC is the contracting officer for the RFP

Thanks

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Sunday, February 22, 2004 10:18 AM
To: (b)(6)
Cc: (b)(6)

(b)(6)
Subject: RE: Contract for reburbishment of 4X20 MW gas turbines State Petrochemical Company Basra

Dear all: Liquid fuel for generation is a major issue during June and July this year. Iraq's abilities will be stretched to the max. Natural gas is the preferred solution, but requires a detailed assessment from the well-head to the inlet valve of the turbines. Alternatively, capture of gas from the current flaring or use of refinery gas requires other design efforts. Before TOA, please ensure that this effort is closely coordinated with CPA-Electricity and CPA-Oil, as we have found that sometimes the MoO or MoE on their own will make unsustainable promises.

Regards,

(b)(6)
Office of the COO

-----Original Message-----

From: (b)(6)
Sent: Sunday, February 22, 2004 9:46 AM
To: (b)(6)

(b)(6)
Subject: RE: Contract for reburbishment of 4X20 MW gas turbines State Petrochemical Company Basra

Sir:
If the contract is awarded at the beginning of March, when would the turbines be ready to be brought back on line?

Thanks

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Sunday, February 22, 2004 9:19 AM
To: (b)(6)
Cc: (b)(6)
Subject: RE: Contract for reburbishment of 4X20 MW gas turbines State Petrochemical Company Basra

(b)(6)

The source selection was completed last week. Legal review required an amendment of the solicitation to those offerors in the competitive range. I issued the amendment with a suspense date of 25 Feb 04. I hope to have this awarded by the end of the week.

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Sunday, February 22, 2004 9:10 AM
To: (b)(6)

Cc: (b)(6)

(b)(6)

Subject: Contract for reburishment of 4X20 MW gas turbines State Petrochemcial Company
Basra

(b)(6)

I trust that you are well. Could you please confirm whether the contract for refurbishment of the 6X20 gas turbines in Petrochemical Company and Shaiba Power station now has been signed?

I quick email with an update would be greatly appreciated.

Kind regards

(b)(6)

(b)(6)

Trade and Industry Team Leader
Department for Economic Planning and Development
Coalition Provisional Authority South (CPA S)

(b)(6)

(b)(6)

From:

(b)(6)

Sent:

Sunday, February 22, 2004 10:42 AM

To:

(b)(6)

Cc:

Subject:

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Office of the COO

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(b)(6)

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From: (b)(6)
Sent: Sunday, February 22, 2004 9:10 AM
To: (b)(6)
Cc: (b)(6)
(UK)
Subject: Contract for reburbishment of 4X20 MW gas turbines State Petrochemcial Company Basra

(b)(6)

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I quick email with an update would be greatly appreciated.

Kind regards

(b)(6)

(b)(6)

Trade and Industry Team Leader
Department for Economic Planning and Development
Coalition Provisional Authority South (CPA S)

(b)(6)

PETROCHEM

Sent: Friday, February 06, 2004 10:26 AM

To: (b)(6)

Subject: RE: Petrochem request letter

(b)(6)

Apologies for my slow response to your emails.

The sensors that were confiscated by the US Army are used to measure levels of toxic pollution from the production processes in the petrochemical plant.

The sensors are vital for the health and safety to the employees in the State Petrochemical Company. CPA is currently about to fund a USD 13 million dollar refurbishment of the turbines in the petrochemical plant which will enable 3800 people to get back to work. The production processes should in theory not restart without the sensors in place to detect abnormal levels of toxic pollution. But because of the difficult situation the Petrochemical Company is in, the plant management will probably go ahead and start production anyway, endangering the health and safety to the petrochemical employees.

The sensors that the US army has confiscated are widely available and can be purchased over the internet. (Please see http://www.ebeamservices.com/ebeam_spe_antec.htm and <http://www.radioisotopes.co.za>) for more information about the sensors and their use.

For health and safety reasons, I strongly recommend that the sensors will be returned to the Petrochemical Company as soon as possible.

Kind regards

(b)(6)

(b)(6)

Trade and Industry Team Leader
Department for Economic Planning and Development
Coalition Provisional Authority South (CPA S)

(b)(6)

(b)(6)

4 x 20 MW
gas turbines

Amend to
solicitation

suspense

25 Feb

(b)(6)

From: (b)(6)

Sent: Sunday, February 22, 2004 9:10 AM

To: (b)(6)

Cc:

Subject: Contract for reburbishment of 4X20 MW gas turbines State Petrochemical Company Basra

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I quick email with an update would be greatly appreciated.

Kind regards

(b)(6)

Trade and Industry Team Leader
Department for Economic Planning and Development
Coalition Provisional Authority South (CPA S)

(b)(6)

3/4/2004

(b)(6)

From: (b)(6)

Sent: Sunday, February 22, 2004 9:04 AM

To: (b)(6)

Cc:

Subject: Confiscated sensors for State Petrochemical Company Basra Province

(b)(6)

Further to the email below and the subsequent email I sent through about this matter. Is there any movement on this issue.

As I wrote in my previous emails, I believe that the State Petrochemical Company is able to safeguard the equipment and would much appreciate if you could sanction its release.

Please let me know what the next steps are. The company can not operate effectively without these sensors.

Kind regards

(b)(6)

Trade and Industry Team Leader
Department for Economic Planning and Development
Coalition Provisional Authority South (CPA S)

(b)(6)

-----Original Message-----

From: (b)(6)

Sent: 06 February 2004 18:57

To: (b)(6)

Subject: RE: Petrochem request letter

Thank (b)(6) This information and website are very helpful. Are you located in Baghdad or elsewhere?
I have a feeling you can help us document a number of other industrial radioisotopes.

Look forward to working with you

(b)(6)

TF DTRA/D-E, Camp Slayer, BIAP

(b)(6)

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To: (b)(6)

Subject: RE: Petrochem request letter

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3/4/2004

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For health and safety reasons, I strongly recommend that the sensors will be returned to the Petrochemical Company as soon as possible.

Kind regards

(b)(6)

Trade and Industry Team Leader
Department for Economic Planning and Development
Coalition Provisional Authority South (CPA S)

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: 03 February 2004 20:28
To: (b)(6)
Cc: (b)(6)
Subject: RE: Petrochem request letter

(b)(6)

(b)(6)

I will have (b)(6) respond to that question. He has a better sense of the company's operations. He will be on the ground in CPA south till June.

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Tuesday, February 03, 2004 2:31 PM
To: (b)(6)
Subject: RE: Petrochem request letter

(b)(6)

Good to hear from you, and this letter should be a good start to formal review process. Minor correction, sources were not delivered to MoST, but are under control of U.S. forces (TF DTRA) at this time. I will be glad to make that correction, but need answer on what exactly these sources are to be used for by "the company", and how does that effect their state of operational readiness?

3/4/2004

Thanks Mate

(b)(6)

Lt Col, USAF

LT COL B. E. Camp Slayer, BIAP

(b)(6)

-----Original Message-----

From: (b)(6)

Sent: Tuesday, February 03, 2004 12:28 PM

To: (b)(6)

Subject: FW: Petrochem request letter

As requested

(b)(6)

-----Original Message-----

From: (b)(6)

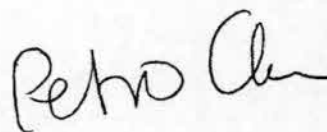
Sent: Tuesday, February 03, 2004 12:13 PM

To: (b)(6)

Subject: Petrochem request letter

Attached...

3/4/2004



(b)(6)

From: (b)(6)
Sent: Saturday, February 28, 2004 11:53 AM
To: (b)(6)
Cc: (b)(6)
Subject: RE: Petrochem request letter

(b)(6)

Thanks for your response. CPA S is visiting the plant tomorrow to discuss your email with the management.

We will get back to you tomorrow afternoon.

Kind regards

(b)(6)

Trade and Industry Team Leader
Department for Economic Planning and Development
Coalition Provisional Authority South (CPA S)

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: 27 February 2004 11:44
To: (b)(6)
Cc: (b)(6)
Subject: RE: Petrochem request letter

(b)(6)

Good to hear from you. Sorry to hear you have not received my past e-mail response. No, I haven't forgotten you and yes, we are still seeking resolution of this situation. Our Task Force is still seeking guidance and decisions from our headquarters in D.C. on the disposition of sources currently under U.S. control, especially as Iraq gets ready to stand up its transitional government in July.

Questions that I related in past e-mail were: Are there any non-radioactive technological means to support these air quality sensors? And if so, would this be a cost benefit to outfit the petrochemical plant with them? Meaning is it cheaper to purchase new system that may not require radioisotope? What is estimated cost of bringing current existing sensors back into operation? And at what strength do the Cs-137 sources need to be to be viable for this purpose? Reason we ask this last question is because we currently know of "dead" sources in the medical and oil industry that although they are still very "hot" radioactive sources, they are not of the strength to serve their primary purpose and need to be secured.

Other questions that come to mind to keep us focused on this effort are: When do you expect this plant to start up again? And what oversight does CPA and Ministry have over this plant to say, "Hey, if you can't operate safely then don't operate at all!" Can we really allow them to put this many workers at risk with regard to the toxins produced in the air? I know the goal is to get Iraqis back to work, but at what degree of risk?

What these questions obviously imply is the effort to seek alternate solutions. Just because we did it this way in previous regime does not make it the best thing to do for new regime. Also, Iraq has yet to

2/29/2004

establish new oversight and registry/licensing program with regard to radioisotopes.

I know I have not provided answers for you, but my goal is to get you to understand the full spectrum of situational awareness we are dealing with issue on.

NOTE: I depart next week back to the U.S. and will be replaced by a (b)(6). He will have the same phone number and I will pass this project onto him for TF DTRA coordination.

I wish you the best in your service to the future of Iraq

Godspeed

(b)(6)

TF DTRA/D-E, Camp Slayer, BIAP

(b)(6)

-----Original Message-----

From: (b)(6)

Sent: Thursday, February 26, 2004 3:47 PM

To: (b)(6)

Cc: (b)(6)

Subject: RE: Petrochem request letter

(b)(6)

I don't know if you have responded to my emails. We have had problems with some of our email accounts recently.

Do you have any news about the release of the sensors for the State Petrochemical Company?

Thanks

(b)(6)

Trade and Industry Team Leader
Department for Economic Planning and Development
Coalition Provisional Authority South (CPA S)

(b)(6)

-----Original Message-----

From: (b)(6)

Sent: 06 February 2004 18:57

To: (b)(6)

Subject: RE: Petrochem request letter

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Look forward to working with you

(b)(6)

TF DTRA/D-E, Camp Slayer, BIAP

2/29/2004

(b)(6)

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For health and safety reasons, I strongly recommend that the sensors will be returned to the Petrochemical Company as soon as possible.

Kind regards

(b)(6)

Trade and Industry Team Leader
Department for Economic Planning and Development
Coalition Provisional Authority South (CPA S)

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: 03 February 2004 20:28
To: (b)(6)
Cc: (b)(6)
Subject: RE: Petrochem request letter

(b)(6)

I will have Bjorn respond to that question. He has a better sense of the company's operations. He will be on the ground in CPA south till June.

(b)(6)

2/29/2004

-----Original Message-----

From: (b)(6)
Sent: Tuesday, February 03, 2004 2:31 PM
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Subject: RE: Petrochem request letter

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Thanks Mate

(b)(6)

TF DTRA/D-E. Camp Slayer, BIAP

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Tuesday, February 03, 2004 12:28 PM
To: (b)(6)
Subject: FW: Petrochem request letter

As requested

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Tuesday, February 03, 2004 12:13 PM
To: (b)(6)
Subject: Petrochem request letter

Attached...

2/29/2004

PRINT PAGE**BACK TO MESSAGE**

From: (b)(6)
To: (b)(6)
Cc:
Subject: RE: Ministry of Industry Tour Group
Date: Mon, 3 May 2004 10:00:57 +0400

(b)(6)

Thanks. There is an issue regarding the Minister's accommodation as well. The Petrochemical Plant guesthouse is ready for use but in a quite remote location and although the plant is guaranteeing security, CPA is not convinced.

The governorate is keen on having the Minister staying in the Casa Sultan in Basra itself, but this is not an appropriate location from a security point of view for the Minister.

I have booked a VIP room for the Minister and two body guards here in the CPA. Please ask him whether he wants to consider this option. His DG's have to stay in the Casa Sultan. Please let me know if the Minister wants to use this option.

Please ask him about press coverage.

Kind regards

(b)(6)

Trade and Industry Team Leader
Department for Economic Planning and Development
Coalition Provisional Authority South (CPA S)

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: 03 May 2004 09:43
To: (b)(6)
Subject: RE: Ministry of Industry Tour Group

Top of the mornin' to ye, (b)(6)

Thanks for this warning. Will do. We have emailed/spoken to Taha and Minister so they should be aware.

1. Key point now is to arrange rendezvous with Minister's vehicles and bodyguard. As of 09.30 this morning, the plan is that the bodyguards will go to Governors Palace in Basra and meet up with him there. So please could you make arrangements for CRG to drop him at the Governor's palace on way into CPA from airport. Please notify us if you/CRG want to make other arrangements.

2. Also please email me with directions on location of CPA Green Zone - nobody around here knows it (CRG chaps only know the British army camp at the airport)

3. Communications in Basra - Iraqna and MCI do not work (please correct me if wrong) so we may well need some local mobiles. As a contingency, please could you get hold of 2 basra mobiles, one for Minister and one for his bodyguards so that they can communicate

4. I think UK Orange works, my UK mobile number is (b)(6) so we can communicate on this number Inshallah

5 We plan to leave here about 11.30 / 12.00 - bad traffic

Best wishes

(b)(6)

>-- Original Message --
>Subject: RE: Ministry of Industry Tour Group
>Date: Mon, 3 May 2004 09:24:59 +0400
>From: (b)(6)

>To: (b)(6)
>Cc: (b)(6)
>
>
>Good morning (b)(6)
>
>Could you make the Minister aware that Dr. Wahlid and Mr. Murad both are
>coming on the trip.
>
>I am uncertain how welcome Dr. Wahlid is around here.
>
>Kind regards
>

(b)(6)

>Trade and Industry Team Leader
>Department for Economic Planning and Development
>Coalition Provisional Authority South (CPA S)

(b)(6)

>-----Original Message-----

>From: (b)(6)
>
>Sent: 02 May 2004 20:18
>To: (b)(6)
>Subject: RE: Ministry of Industry Tour Group

(b)(6)

>
>Yes will check these points in the morning - and noted re FT. We
>managed to avoid Naomi Klein when she was here - Falluja took over.
>
>See you tomorrow. Anything you need from Baghdad which you can't get in
>Basra ? Like a special type of sand ?
>
>Best

(b)(6)

>-----Original Message-----

>From: (b)(6)
>Sent: Sunday, May 02, 2004 8:09 PM
>To: (b)(6)
>Subject: RE: Ministry of Industry Tour Group

(b)(6)

>Thanks for this.
>
>There is a timing issue regarding the meeting with Patrick Nixon
>especially if we are going to Nassariya. Patrick Nixon is one of the
>guests at the dinner.
>
>Please find out a couple of things tomorrow.
>
>1) How will the Minister will travel around when here in Basra.
>Please clarify this as soon as possible.
>2) Press. The FT is visiting CPA S as the moment. Please advice
>whether the Minister will welcome press coverage of the trip.
>

>Your help getting this trip sorted has been invaluable.

>Kind regards

(b)(6)

>Trade and Industry Team Leader
>Department for Economic Planning and Development
>Coalition Provisional Authority South (CPA S)

(b)(6)

>-----Original Message-----

>From: (b)(6)

>
>Sent: 02 May 2004 19:49
>To: (b)(6)
>Subject: RE: Ministry of Industry Tour Group
>
>Good evening (b)(6)
>
>1. It seems that all is set to go - so we just have to wait and
>see what snafu emerges tomorrow morning (like a city-wide complete
>gridlock as we had on Wednesday).
>
>2. We shall be in the Ministry all morning, and
>contact at BIAP could be through Flight Lieutenant Oliver on
>(b)(6)
>
>3. We have asked FLT Oliver to arrange the VIP nissen
>hut at BIAP. Can you also arrange VIP arrival facilities at Basra, and
>departure facilities on Wednesday morning ?
>
>4. Also, noticed that the meeting with Patrick Nixon
>has been omitted from the latest programme which you sent us. Will the
>Minister meet him at the dinner or some other time ? Or is he not in
>town ? Yusuf mentioned he should also link up with Hogger.
>
>
>Best
>
>(b)(6)

Broadband from an unbeatable £15.99!

<http://www.tiscali.co.uk/products/broadband/home.html?code=SM-NL-11AM>

(b)(6)

From: (b)(6)
 Sent: Sunday, May 02, 2004 11:41 AM
 To: (b)(6)
 Cc: (b)(6)
 Subject: RE: Ministry of Industry Tour Group

(b)(6)

Can you confirm that the Minister will have his own transport in Basra so we don't have to deal with transport for the Iraqis?

(b)(6)

Trade and Industry Team Leader
 Department for Economic Planning and Development
 Coalition Provisional Authority South (CPA S)

(b)(6)

(b)(6)

-----Original Message-----

From: (b)(6)
 Sent: 02 May 2004 11:05
 To: (b)(6)
 Cc: (b)(6)
 Subject: RE: Ministry of Industry Tour Group

Good morning (b)(6)

It looks like we are all set to go.

1. have just been introduced to (b)(6) re security coordination. She is keen for you to link up with (b)(6)
2. (b)(6) has kindly arranged for the Baghdad transfer by CRG
3. As of this morning, the list is Bien, Tofiq, Polis, Khidder, Murad, Sahakian, Gillibrand. BGs apparently going by road (this will require rendezvous in Basra)
4. Khidder, Murad, Gillibrand staying until Thursday - Khidder/Murad doing own thing; I would be very grateful if you could arrange for me to visit the Steel company and also see the fertilizer and steel port facilities as per previous email

Trusting that you have all the Basra arrangements sewn up as per my previous emails. I am arranging to meet Sahakian and others this afternoon.

Telephones still pretty useless

Best wishes

(b)(6)

5/2/2004

→
 ! ? ! * # -
 1. THOUGH CPA SOUTH/CRG
 WOULD HANDLE ALL
 TRANSPORT.

MAKE THE
 DOES HAVE
 CARS.

CAN DEAL WITH

THIS LATER.

I'M OFF TO

DFA AT CC

TO FURNACE PLANT.

VRE

(b)(6)

State Owned Enterprises- Company Overviews

OCPA - Ministry of Industry & Minerals

Note: All currency figures are in 000's of Iraqi Dinars unless otherwise noted.

1. General Information

Company Name:	State Companies for Fertilizer - Northern & Southern Regions
Sector	Fertilizer / Petrochemical
Brief Description	Two separate Companies, one serving Northern Iraq, the other Southern Iraq. Both produce urea as its main product. Urea is a basic nitrogen fertilizer used throughout Iraq and the world. Northern Company started in 1990.
Revenue in 2002 (Iraqi Dinars '000s)	30,000,000
# of Employees	4,276 (2,694 in South and 1,582 in North)
Annual Employee Salaries & Bonus	8,340,000
Headquarters Address	Basrah (3 km fro port of Khor Al-Zubair) ideal for export & Bayji serving local arabal market.
Director General Name	Madi Salim Abdul Hasan (South) & Kail A Raouf (North)
Telephone #	Sat. 88216 212049 45 (53)
Fax #	
Email Address	
Banks Used	Rafidain Bank, Banji (North)

2. Company Highlights

Significant local demand and high long-distance transport costs give local manufacturers and advantage over imports.
 Cost advantage of local supply of raw materials (natural gas).
 Revenue of 30 billion ID (combined), could increase to over 100 billion selling fertilizer at market rates and full capacity utilization.
 Operating margin of 33% even while selling 90% of products at one third the market rates.
 Selling at market rates will offset increased cost of buying natural gas and electricity at market rates (previously heavily subsidized).
 Capacity to increase production 50%.
 Urea production technology has not changed much in last 20 years, so Company is not disadvantaged with its equipment.
 One issue: no internal sales, marketing or raw material purchasing staff or experience. These functions were performed at the Ministry level.
 Another issue: Company uses 25% more electricity per unit of output than international competitors.

There is third plant designed to produce urea in the vicinity of the southern Fertilizer Co. This was damaged during the Iraq-Iran war and it could be brought back to plduction at the cost of approx. \$50M. This factory should be attached to the fertilizer companies who can finance the re-building.
 Southern Co. questionnaire missing, so G Corliss unable to review that Company's responses.

Northern Co. benefited at least 1B ID and maybe as much as 8B ID (depending on who payables are to) by CPA policy of cancellation of government debts, payables and bank accounts.

Northern Co. allocated \$1.0M USD for 2H 2003 operating budget and provided with 7mw off of grid.

Southern Co. allocated \$1.5M USD for 2H 2003 operating budget and provided with 15mw off of grid.

3. Facilities

<u>Name</u>	<u>Province</u>	<u>City</u>	<u>Grid</u>	<u>Damage %</u>	<u>Power Needs</u>
Southern Plant		Basrah	TP144197256	Minimal	25 mw
			N35 05' 53.5", E43		
Northern Plant	Salahdin	Bayji	23' 28.4"	Minimal	25 mw
Value of All Plant & Equipment Before War, and Northern Plant valued at \$260M USD by mgmt. It was built in 1986 for \$360M USD.					
Initial Purchase Dates and Prices for Major Items					

4. Products

<u>Product Name</u>	<u>Unit Measurement</u>	<u>Design Capacity</u>	<u>Available Capacity</u>	<u>2002 Production</u>	<u>2002 Revenue</u>
Urea - Southern Plant	Ton	1,060,000	720,000	597,661	\$13,711,280
Ammonia - Southern Plant	Ton	660,000	504,000	418,495	
Urea - Northern Plant	Ton	500,000	400,000	392,200	12,598,084
Description of Importance of Products to Other Iraqi Industries		Urea needed by farmers, especially for fall harvest.			

5. Customers

<u>Customer Name</u>	<u>2002 Revenue</u>	<u>Subsidized (Y/N)</u>	<u>Products Sold to Customer and Unit Pricing</u>
Ministry of Agriculture	90% of total	Yes	Urea at 37K ID per ton
Direct to Farmers		Yes	Urea at 60K ID per ton
State Co. for Phosphates		Yes	
Syria		Slightly	Urea at \$90 USD per ton

6. Suppliers

<u>Supplier Name</u>	<u>2002 Purchases</u>	<u>Subsidized (Y/N)</u>	<u>Products Purchased and Unit Pricing</u>
Natural Gas Co.	350K tons	Yes	Gas
International catalysts suppliers			
Sacks suppliers			

Company Name:	State Companies for Fertilizer - Northern & Southern Regions
Current Payment Terms From Suppliers	Not clear. Mgmt says, "Upon receiving bills from suppliers".

7. Imports & Exports

2002 Import Markets for Raw Materials	509,335 for spare parts and catalysts
Potential Import Markets in Free Market	
2002 Export Markets for Finished Products	Syria
Potential Export Markets in Free Market	South east Asia can take about 60% of the design capacity of both plants. (aprox. 1 million ton)

8. Competition

Description of Competitive Situation	Company currently has price advantage due to cheap raw materials and electricity. If electricity prices rise to market rates, Company is uncompetitive since it is inefficient.
Market Share Description	100% of Iraqi market.

9. Summary of War Damage & Looting of Property & Equipment

Description of Damage	Minimal
Current Operating Status	Neither operating. There are good prospects for the northern plant to start soon, Operating the souther plant can provide an opportunity for export business. Gas availability is only major hold-up preventing re-start. Not clear when this will be resolved.
Immediate Property & Equipment Needs To Restart Operations	None, but Southern Company needs \$1.5M USD for spare parts and repair of cooling tower to operate second line.
Total Cost to Return to Pre-War Condition	Minimal

10. Inventory Status

Raw Material Status	Gas is not available. Catalysts is available to run the factories for six months.
Months of Material Supplies & Production Rate	
Immediate Raw Material Needs	Sulfuric acid and caustic soda (50 tons in Baghdad - needs transport).
Finished Products Supply (Units and Value)	South Co. has 19K to 25K tons (depending on who you ask) valued around \$2M USD at open market rates. Northern Co. has 15 K ton ready for sale at a rate of 50,000 ID decided by the Ministry of Industry

11. Fuel & Electricity Needs

Description of Fuel Needs	South Co needs 50 mcf of natural gas per line - 100 mcf total. North Co needs 90 mcf gas from the North Gas Project in Kirkuk.
Description of Electricity Needs	South Co needs 25 mw, of which 5 mw is supplied by Khor Al-Zubar power plant. North Co needs 25 mw. Needs are 25% higher than foreign competitors on a per unit basis.

12. Other Needs to Restart

Working Capital Needs	Salaries and other standard operating costs.
Security Needs	Already has security.
Other Needs	Sales and marketing department. \$4M USD to upgrade capacity at Northern Company to 95% of design capacity. Southern Company needs \$10M USD to upgrade capacity to 1.0 million tons from current capacity of 600,000 tons.

13. Strengths, Weaknesses, Opportunities & Threats

Description of Strengths	Cheap supply of raw materials. The souther plants have access to sea ports.
Description of Weaknesses	Company has operated solely as a manufacturing facility, with no sales or marketing staff. Staff needs training from outside Iraq.
Description of Opportunities	Export and sell at market rates.

Company Name:

State Companies for Fertilizer - Northern & Southern Regions

Description of Threats

Management may be forced to sell at a discounted rate which will prevent it from raising enough cash to maintain and rehabilitate its plants.

14. Long-Term Strategy

Description of Strategy

Put the two companies as well as the bombed factory in Abu AlKhasib in one company. Re-use the revenue to revamp production capabilities. Enter into joint ventures with investors/technology providers to build petrochemical complexes in and around Basra. Phosphate fertilizer co may enter the same club but it would be better to be treated separately.

Potential New Products

More Urea, Ammonium sulphate, Methanol, and Ethanol

Potential Partnership Opportunities

Needs technology providers and investors

15. Revenue and Costs Overview

Description of How Pricing Was Set

Set by Ministry at significantly subsidized rates to help farmers, many of whom are Ba'athist. Actual market rates for Urea are around \$100 USD per ton, excluding delivery costs. Farmer subsidy should come from the ministry of agriculture rather than the factory.

Description of Production Costs

South Co has 24K ID/ton production costs. North Co's costs are less, at \$17K ID/ton. Both Companies benefitted from subsidized power and natural gas. Actual production costs without subsidies unknown.

Potential for Profitability in Free Market

Give massive profit margins if sold at market rates. Company has good chance of remaining profitable even when subsidies are removed.

16. Financials - 2002

Income Statement

	South	North	Notes
Revenue		12,598,084	
Cost of Goods		2,910,520	
Gross Margin		9,687,564	
GM as % of Rev		77%	
Personnel		3,030,354	
Sales & Mktg		11,979	
R & D		16,850	
Spare Parts		509,335	
Fuel and Electricity		421,133	
Other Operating Expenses		1,000	Rent for office in Baghdad
Operating Margin		5,696,913	
OM as % of Rev			
Interest Exp			
Extraordinary Exp			
Profit Before Tax			
Taxes			
Net Income			

Capital Expenditures

2002 Total & Description of Major Purchases 92,479 spent on cars and equipment.

Balance Sheet

Assets

Cash	
Accts Receivable	
Inventory	Minimal, natural gas is main ingredient.
Other Current Assets	
Total Current Assets	

PP&E	80,000,000	90,000,000	Mgmt of Northern Co claims PPE worth \$260M USD.
Other Assets			
Total Assets			

Liabilities

Accts Payable	
Other ST Liabilities	
Total ST Liabilities	

LT Debt	
Other LT Liabilities	
Total Liabilities	

Company Name:

State Companies for Fertilizer - Northern & Southern Regions

Total Equity

17. Financials - Projections & Current Situation

<u>Current Situation</u>	<u>South</u>	<u>North</u>	<u>Notes</u>
Cash in Bank	1,500,000	4,500,000	
Available Bank Credit Line			
Accounts Receivable		847,082	
Total Assets			
Accounts Payable		7,000,000	Split between private and government unknown.
Drawn Bank Credit Line		3,000,000	To Min of Finance
Other Debt		1,500,000	To Min of Industry
Other Debt		1,500,000	Unidentified
Other Debt		350,000	2002 profit share owed to employees
Total Liabilities		13,350,000	

Projections

Original 2003 Revenue Projection
Most Recent 2003 Revenue Projection

18. Historical Subsidies

Overview of Subsidization Heavy user of natural gas and electricity, both subsidized.

Amount Notes

Total MOUs received in 2002 (in US \$)
Total Bilateral Contracts in 2002 (in US \$)
Other Direct Subsidies

19. Accounting Standards

How Often Financial Statements Are Prepared Once a year
Audits Performed (Y/N) and by Who Yes, by "Diwan" (SBA?) once a year.

20. Additional Information on Company on File

21. Notes

State Owned Enterprises- Company Overviews
OCPA - Ministry of Industry & Minerals

Note: All currency figures are in 000's of Iraqi Dinars unless otherwise noted.

1. General Information

Company Name: Ur State Company for Engineering Industry
Sector: Engineering
Brief Description: Manufacturer of wires and cables for power and communications industries. Products include winding and overhead line wires, and telephone, power and jelly-filled cables.

Revenue in 2002 (Iraqi Dinars '000s):
of Employees: 3,352
Annual Employee Salaries & Bonus: 3,250,000 (Seems low for number of employees. Need to confirm.)
Headquarters Address: An Nasiriya
Director General Name: Oun Lefta Ellawy
Telephone #:
Fax #:
Email Address:
Banks Used: Al Rashid

2. Company Highlights

Ministry of Oil suggested this Company receive special attention given the need to rebuild power and communications infrastructure. Received \$3.5M USD in MOU subsidies in 2002. Unclear if production is competitive, or if imports could better satisfy local demand. Iraqi MIM outlined \$4.5M USD in capex recommendations to improve output. Claims payback of 12 to 24 months on investment. Minimal damage to factories. Can begin production once working capital is available, primarily for raw material purchases. Company has \$12M USD worth of raw materials, mostly aluminum. Allocated \$2.7M USD for 2H 2003 operating budget and provided with 2 mw off of grid.

3. Facilities

Name	Province	City	Grid	Damage %	Power Needs
Main Factory	Dhi Qar	An Nasiriya		1%	10 mw

Value of All Plant & Equipment Before War, and Initial Purchase Dates and Prices for Major Items

4. Products

Product Name	Unit Measurement	Design Capacity	Available Capacity	2002 Production	2002 Revenue
Winding Wires	Tons	5,914	1,250	809	
Telephone Cables	Tons	4,000	1,750	951	
Power Cables	Tons	8,671	3,500	1,652	
Overhead Line Wires	Tons	7,300	2,700	4,336	
Jelly-filled Cables	Tons	10,000	3,000	0	
Foil Product	Tons	2,845	400	145	
Extraction Aluminum Profiles	Tons	10,600	1,750	1,114	
Domasti Field Wires	Tons	812	460	841	
Aluminum Sheet & Wiring	Tons	16,500	5,500	1,299	
Description of Importance of Products to Other Iraqi Industries	Directly supports communications and power industries, which in turn support all Iraqi industries.				

5. Customers

Customer Name	2002 Revenue	Subsidized (Y/N)	Products Sold to Customer and Unit Pricing
Telecommunications Industry			
Power Industry			
Oil Ministry			
#4			

6. Suppliers

Supplier Name	2002 Purchases	Subsidized (Y/N)	Products Purchased and Unit Pricing
Turkey			Plates and ingots
Saudi Arabia			Plates and ingots
#3			
Current Payment Terms From Suppliers			

7. Imports & Exports

2002 Import Markets for Raw Materials: Turkey and Saudi Arabia for plates and ingots. Also imported 10K tons of aluminum.

Company Name:

Ur State Company for Engineering Industry

Potential Import Markets in Free Market

2002 Export Markets for Finished Products

Potential Export Markets in Free Market

8. Competition

Description of Competitive Situation

Market Share Description

9. Summary of War Damage & Looting of Property & Equipment

Description of Damage Minimal.

Current Operating Status Aluminum division scheduled to restart in mid-August.

Immediate Property & Equipment Needs To Restart Operations Nothing to restart, but \$4.5M USD needed to improve capacity of jelly-filled cables, overhead cables and extrusion press (\$1.5M each).

Total Cost to Return to Pre-War Condition Minimal.

10. Inventory Status

Raw Material Status Aluminum billets and slabs worth \$10M USD. Additional \$2M worth of raw materials for jelly filled cable.

Months of Material Supplies & Production Rate

Immediate Raw Material Needs Copper 8mm and 10mm rods, aluminum 9.5mm rods, aluminum ingots and aluminum "billetes" (sp?).

Finished Products Supply (Units and Value)

11. Fuel & Electricity Needs

Description of Fuel Needs

Description of Electricity Needs 10 mw at full pre-war capacity. 5 mw to start on limited basis. The National Electricity Board promised to provide 2 MW starting from 1st. August 2003.

12. Other Needs to Restart

Working Capital Needs

Security Needs

Other Needs \$4.4M USD to upgrade and overhaul extrusion and colored anodizing line.

13. Strengths, Weaknesses, Opportunities & Threats

Description of Strengths

Description of Weaknesses

Description of Opportunities

Description of Threats

14. Long-Term Strategy

Description of Strategy

Potential New Products

Potential Partnership Opportunities

15. Revenue and Costs Overview

Company Name:

Ur State Company for Engineering Industry

Description of How Pricing Was Set

Description of Production Costs

Potential for Profitability in Free Market

16. Financials - 2002

Income Statement

Iraqi Dinars (000's) Notes

Revenue

Cost of Goods

Gross Margin

GM as % of Rev

0

#DIV/0!

Personnel

Sales & Mktg

R & D

Fuel and Electricity

Other Operating Expenses

Operating Margin

OM as % of Rev

#DIV/0!

Interest Exp

Extraordinary Exp

Profit Before Tax

Taxes

Net Income

Capital Expenditures

2002 Total & Description of Major Purchases

Balance Sheet

Assets

Cash

Accts Receivable

Inventory

Other Current Assets

Total Current Assets

PP&E

Other Assets

Total Assets

Liabilities

Accts Payable

Other ST Liabilities

Total ST Liabilities

LT Debt

Other LT Liabilities

Total Liabilities

Total Equity

17. Financials - Projections & Current Situation

Current Situation

Amount

As of (Date) Notes

Cash in Bank

Available Bank Credit Line

Accounts Receivable

Total Assets

Accounts Payable

Drawn Bank Credit Line

Other Debt

Total Liabilities

Projections

Original 2003 Revenue Projection

Most Recent 2003 Revenue Projection

18. Historical Subsidies

Company Name:

Ur State Company for Engineering Industry

Overview of Subsidization

	<u>Amount</u>	<u>Notes</u>
Total MOUs received in 2002 (in US \$)	3,500,000	
Total Bilateral Contracts in 2002 (in US \$)		
Other Direct Subsidies		

19. Accounting Standards

How Often Financial Statements Are Prepared

Audits Performed (Y/N) and by Who Annually, by SBA.

20. Additional Information on Company on File

21. Notes

(b)(6)

From: (b)(6)
Sent: Tuesday, February 10, 2004 8:22 PM
To: (b)(6)
Cc:
Subject: RE: HQ Industry and Minerals

Had this discussion today with the Chief of staff at MIM... he confirmed the MoE as tenant for adjacent space. Anyway he will get on Dr Hameed to contact you. Please follow up with COL Bien if you do not receive closure within a day or two... I depart on Friday for good

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Monday, February 09, 2004 10:31 AM
To: (b)(6)
Subject: RE: HQ Industry and Minerals

Yes, that is the building and Electricity has already completed the refurbishment of ½ of the building. We were there at the same complex a few weeks ago looking at the Ministry of Education and Higher education complex. Has the Ministry of Industry and Minerals already refurbished their half of the building?

-----Original Message-----

From: (b)(6)
Sent: Sunday, February 08, 2004 6:50 PM
To: (b)(6)
Cc:
Subject: RE: HQ Industry and Minerals

The MIM HQ Building to be repaired is located at MB45758791... To my knowledge there is no intent to co-locate with the Ministry of Electricity at this site... Please confirm we are talking about the same building...

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Sunday, February 08, 2004 6:41 PM
To: (b)(6)
Subject: RE: HQ Industry and Minerals

The Ministry of Industry and Minerals Headquarters building – supposedly meant to be co-located with the Ministry of Electricity...? It was on the supplemental funding list but we have not received any supporting information from the ministry. Without the information, we cannot write the contract. Other ministries on the priority list have provided this information and will receive the funding if Industry and Minerals cannot provide the information requested. We had been worked with the CPA Senior Advisor's office for 2 months trying to get the information and were constantly delayed or derailed by the lack of response from them. Now it is do or die, so to speak.

Obviously we never got the required information and need to know if we are going to get it otherwise the funding will go to another ministry's project. However, if you don't need the funding – a simple message indicating such will suffice. If the Ministry of Industry and

5/2/2004

Minerals is still in need of a Headquarters' building – it best get rolling to provide the PMO with the information we have been repeatedly requesting (this should be obvious in the e-mails attached to this message).

Let me know if you need more clarification – we are in the palace and you are welcome to stop by anytime to discuss – unfortunately, this won't delay the deadline for the information but may help you to get on track with the project and define the needs further.

Hope that helps.

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Sunday, February 08, 2004 6:28 PM
To: (b)(6)
Subject: RE: HQ Industry and Minerals

What building are we referring too?... I am not familiar with the project... also highly doubtful that I can get this information in 4 days....

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Sunday, February 08, 2004 4:19 PM
To: (b)(6)
Cc: (b)(6)
Subject: RE: HQ Industry and Minerals

(b)(6) my apologies, it is no wonder this was never followed up on, I suppose. Still need the info ASAP. As you know, the contract for the supplemental funding is expected to be awarded in 3 weeks and we need to have this contract completed.

Thanx.

-----Original Message-----

From: (b)(6)
Sent: Sunday, February 08, 2004 4:16 PM
To: (b)(6)
Cc: (b)(6)
Subject: RE: HQ Industry and Minerals

(b)(6)

(b)(6) I need the information requested NLT Friday 13 February. I have attempted to contact Dr. Hameed on several occasions with no success. Please have him contact me at his earliest convenience. My number is still (b)(6). If the information needed is not provided we will have to move to the next priority on our list that has provided the information. If you no longer need the supplemental funds for refurbishment please send me a return message stating such.

Thank you.

(b)(6)
Project Architect
CPA/PMO

-----Original Message-----

From: (b)(6) Ministry of Ind/Minerals

5/2/2004

State Owned Enterprises- Company Overviews

OCPA - Ministry of Industry & Minerals

Note: All currency figures are in 000's of Iraqi Dinars unless otherwise noted.

1. General Information

Company Name:	State Company for Petrochemical Industry
Sector	Fertilizer / Petrochemical
Brief Description	Manufacturing plant erected in 1976 by Loomis. Main products include ethylenes, chlorine and caustic soda. The Company is divided into 7 units based on products.
Revenue in 2002 (Iraqi Dinars '000s)	25,398,980
# of Employees	3,872
Annual Employee Salaries & Bonus	5,209,364 Company earlier claimed 6.7B ID
Headquarters Address	Basrah, Khur Al Zubir
Director General Name	Abdul Amir Salih Abdullah
Telephone #	8863696, 8864881, 210840, 210842
Fax #	8863696
Email Address	
Banks Used	Rafedan Amman

2. Company Highlights

Significant local demand for products (PVC, chlorine and ethylene).
 Operating margin of 10 billion ID. This margin will provide a cushion when raw material subsidies are removed.
 Potential for ISO 9000 certification within 12 months, which would increase export opportunities.
 6 months of inventory on hand. No immediate working capital issues.
 Complete property, plant & equipment rebuild is not necessary. Only spare parts are currently needed.
 Management believes it can be self-sustaining if gas and electric comes back online.
 World Bank industrial analysts believe ethylene plant is worth saving, but all other production lines are uncompetitive and should be shut down.
 Biggest customer was Iraqi military.
 Company benefits 10B ID from CPA policy of cancelling inter-governmental debts.
 Allocated \$3M USD for 2H 2003 operating budget and provided with 15 mw off of grid.

3. Facilities

Name	Province	City	Grid	Damage %	Power Needs
Main Factory		Basra		5%	25 mw
Value of All Plant & Equipment Before War, and Initial Purchase Dates and Prices for Major Items					
All plants have significant spare parts and repair needs after 13 years of restrictions, but are still operational at limited capacity. Total rehab of facilities would cost \$50M USD. Company claims initial construction cost in 1976 was \$1.2 billion USD.					

4. Products

Product Name	Unit Measurement	Design Capacity	Available Capacity	2002 Production	2002 Revenue
Ethylene	Ton	132,000	85,000	35,070	All ethylene products generated 13.8B
LD Polyethylene	Ton	60,000	43,000	18,425	
HD Polyethylene	Ton	30,000	22,000	9,289	
Chlorine	Ton	42,000	13,000	3,127	2,976,000
Caustic Soda 50%	Ton	84,000	26,000	2,905	
PVC	Ton	16,000	15,000	179	
Agricultural films	Ton	15,000	15,000	0	
HCL	Ton	4,800	4,800	371	
Description of Importance of Products to Other Iraqi Industries	Chlorine needed for water purification. PVC needed for construction. Ethylene needed by plastics sector.				

5. Customers

Customer Name	2002 Revenue	Subsidized (Y/N)	Products Sold to Customer and Unit Pricing
Iraqi Military	Over 50% of total		Ethylene products sold at 800K ID/ton, agricultural films at 900K, and chlorine at 250K.
Water Authority			
Other SOEs			
Exports via Middlement			

6. Suppliers

Supplier Name	2002 Purchases	Subsidized (Y/N)	Products Purchased and Unit Pricing
German Suppliers			Catalysts and additives
Thalut-Emad (Jordan)	\$1.2M USD		Chemicals
Nalco (Italy)	\$750K USD		Water treatment chemicals
Saja (Jordan)	\$190K USD		Hexane 1 and catalysts
Current Payment Terms From Suppliers			

7. Imports & Exports

Company Name:	State Company for Petrochemical Industry
2002 Import Markets for Raw Materials	Catalysts and additives from Germany.
Potential Import Markets in Free Market	New production units from American and German suppliers
2002 Export Markets for Finished Products	Final destination of many sales was unknown since middlemen were used. 2,600 tons of polyethylene pellets were exported to Syria at \$510 USD per ton = \$1.3M USD.
Potential Export Markets in Free Market	Middle East and Southeast Asia if production capacity is increased and ISO certification is approved.

8. Competition

Description of Competitive Situation	Iran, Saudi Arabia and Kuwait all competing (natural gas is main ingredient).
Market Share Description	60-90% of local demand, depending on who you ask.

9. Summary of War Damage & Looting of Property & Equipment

Description of Damage	Minimal damage.
Current Operating Status	Main facilities not operating. Need security, stable gas pressure and electricity. Water purification facilities are operating, producing 1,000 m3 per hour.
Immediate Property & Equipment Needs To Restart Operations	Various spare parts.
Total Cost to Return to Pre-War Condition	150K ID.

10. Inventory Status

Raw Material Status	Good. Has raw materials worth 2.1B ID.
Months of Material Supplies & Production Rate	6 months worth of inventory on hand and paid for.
Immediate Raw Material Needs	Steady gas pressure.
Finished Products Supply (Units and Value)	

11. Fuel & Electricity Needs

Description of Fuel Needs	10 million cubic feet per day of natural gas at 25 bar pressure to start production. Will need to ramp to 90 million cubic feet to return to normal production of all products.
Description of Electricity Needs	25 mw, comprised of 10 mw per line for 2 lines and 5 mw for misc needs. Will provide this through own generators if fuel can be acquired.

12. Other Needs to Restart

Working Capital Needs	550M ID per month in salaries. Other costs not yet quantified.
Security Needs	Yes, need security to protect property and inventory.
Other Needs	Technical help to study state of equipment and improvements to be introduced to upgrade capacity.

13. Strengths, Weaknesses, Opportunities & Threats

Description of Strengths	Sole producer of polyethylene in Iraq.
Description of Weaknesses	Facilities have been neglected over last 13 years. \$50M USD would be needed to completely refurbish plant and produce at design capacity levels. Can not pass ISO certification.
Description of Opportunities	Export market, especially once ISO 9000 certified. Diversify production.
Description of Threats	Equipment problems. Some ongoing security issues.

14. Long-Term Strategy

Description of Strategy	Complete overhaul of production lines to improve efficiency.
Potential New Products	HD and LP polyethylene products, polypropylene, SBR and PVC production.
Potential Partnership Opportunities	Would like to find international partners, but does not have any particular ones in mind.

Company Name:

State Company for Petrochemical Industry

15. Revenue and Costs Overview

Description of How Pricing Was Set

Company suggested and Ministry approved prices. Company claims they are at market price. Ethylene products sold at 800K ID/ton, agricultural films at 900K, and chlorine at 250K.

Description of Production Costs

Potential for Profitability in Free Market

Profitability depends on capacity utilization, which needs to get above 55% to gain economies of scale. Otherwise, unit production costs will not be competitive.

16. Financials - 2002

Income Statement

	Iraqi Dinars (000's)	Notes
Revenue	25,398,980	
Cost of Goods	2,298,766	
Gross Margin	23,100,214	
GM as % of Rev	91%	
Personnel	5,209,364	
Sales & Mktg	6,550	
R & D	0	Handled by MIM research department.
Spare Parts	2,598,388	
Fuel and Electricity	128,926	Company claims to have used 115 mw of electricity, not 25mw as reported.
Other Operating Expenses	124,474	
Other Operating Expenses	3,568,869	Not identified
Operating Margin	11,463,643	
OM as % of Rev	45%	

Capital Expenditures

2002 Total & Description of Major Purchases

Received \$4.5M USD in parts and machinery via MOU. Spent an additional 831M ID on furniture, computers, tools, etc.

17. Financials - Projections & Current Situation

Current Situation

	Amount	As of (Date)	Notes
Cash in Bank	2,000,000	Jun-03	
Available Bank Credit Line			
Accounts Receivable	492,117		All from Government entities
Total Assets			
Accounts Payable	911,607		Mostly to local private suppliers
Drawn Bank Credit Line	11,689,521		Mostly to MOF
Other Debt	590,204		For 2002 profit share to employees
Total Liabilities			

Projections

Original 2003 Revenue Projection	43,557,750
Most Recent 2003 Revenue Projection	

18. Historical Subsidies

Overview of Subsidization

Natural gas and electricity. Also receives capex needs through MOU subsidies.

	Amount	Notes
Total MOUs received in 2002 (in US \$)	4,500,000	For ethylene production pump and other equipment, not raw materials.
Total Bilateral Contracts in 2002 (in US \$)		
Other Direct Subsidies		

19. Accounting Standards

How Often Financial Statements Are Prepared

Once a year.

Audits Performed (Y/N) and by Who

Yes, by SBA - including 2002.

20. Additional Information on Company on File

Accounts receivable list and other financial details (all in Arabic).
List of equipment purchases waiting for delivery.
Many color pictures of facilities
3 page overview of facilities by Dr. Shakir Alzaidei, IRDC, CPA MIM Advisor
100+ pages in Arabic - looks like detailed financials and ledgers.
Company brochures

21. Notes

Program SOE visit to Basra 3-5 May 2004

<u>Date</u>	<u>Time</u>	<u>Activity</u>
03.05.04	13.00	Departure Baghdad Green Zone Ministry for BIA.
03.05.04	1645	Departure Baghdad
03.05.04	18.00	Arrival Basra (pick up by CRG)
03.05.04	20.00	Dinner and Accommodation (CPA compound, SOE guesthouse)
04.05.04	0815	Departure CPA compound for State Company for Fertilizer.
04.05.04	0900	Presentation of Options State Company Fertilizer.
04.05.04	1000	Site visit State Company for Fertilizer.
04.05.04	1100	Leave SCF for State Company for Petrochemical Products (SCPP)
04.05.04	1130	Briefing by DG SCPP
04.05.04	1230	Lunch in SCPP
04.05.04	1330	Leave SCPP
04.05.04	1400	Arrival CPA South
04.05.04	1415	Helicopter Flight to Nassariya
04.05.04	1500	Pick Up Nassariya by CRG, transfer to Ur Engineering Firm
04.05.04	1530	Briefing by DG and Filippo Tagliabue SOE advisor CPA South
04.05.04	1630	Leaving Ur Engineering Firm
04.05.04	1700	Flight Back to Basra
04.05.04	1800	Break (rooms for rest available at CPA compound)
04.05.04	1845	Pick up CRG and transfer to Governor's House
04.05.04	1900	Dinner with Governor of Basra and DGs in SOEs in Southern Iraq
04.05.04	2100	Transfer by CRG back to Guesthouse/CPA
05.05.04	0630	Pick up by CRG at CPA/Guest House
05.05.04	0830	Flight Departure Basra International Airport
05.05.04	1000	Pick Up by CRG and transfer back to Ministry/CPA
05.05.04	1100	Arrival Ministry/CPA

Program SOE visit to Basra 3-5 May 2004

passport

Date	Time	Activity
03.05.04	13.00	Departure Baghdad Green Zone Ministry for BIA.
03.05.04	1645	Departure Baghdad
03.05.04	18.00	Arrival Basra (pick up by CRG)
03.05.04	20.00	Dinner and Accommodation (CPA compound, SOE guesthouse)✓
04.05.04	0815	Departure CPA compound for State Company for Fertilizer.
04.05.04	0900	Presentation of Options State Company Fertilizer.
04.05.04	1000	Site visit State Company for Fertilizer.
04.05.04	1030	Leave SCF for State Company for Petrochemical Products (SCPP).
03.05.04	1130	Briefing by DG SCPP
03.05.04	1230	Lunch in SCPP
03.05.04	1330	Leave SCPP
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03.05.04	1500	Pick Up Nassariya by CRG, transfer to Ur Engineering Firm
03.05.04	1530	Briefing by DG and Filippo Tagliabue SOE advisor CPA South
03.05.04	1630	Leaving Ur Engineering Firm
03.05.04	1700	Flight Back to Basra
03.05.04	1800	Meeting with Patrick Nixon Regional Coordinator
04.05.04	1830	Transfer back to Guesthouse by CRG
04.05.04	1945	Pick up CRG and transfer to Governor's House
04.05.04	2000	Dinner with Governor of Basra and <u>DGs in SOEs in Southern Iraq</u>
04.05.04	2200	Transfer by CRG back to Guesthouse/CPA
05.05.04	0630	Pick up by CRG at CPA/Guest House
05.05.04	0830	Flight Departure Basra International Airport
05.05.04	1000	Pick Up by CRG and transfer back to Ministry/CPA
05.05.04	1100	Arrival Ministry/CPA

(CRG) from Ministry

Booked

Why Fazel +
Walid?

Garro

- V Q for Mini
- Bodyguards to fly or road
 - OK - CRG to AP?
 - Sep. convoy? No
 - Bodyguards in ORG
Car = unloaded weapons.
 - Accommodation?
 - Personnel w/
bodyguards in Basra

(b)(6)

From: (b)(6)
 Sent: Saturday, May 01, 2004 12:06 PM
 To: (b)(6)
 Cc: (b)(6)
 Subject: Update on Minister's travel

Greetings

1. I am sorry to bother you again at home during the May Day Holiday, but we need to check on the arrangements for the travel. By chance I met Faisal Murad this morning and also had the chance to speak to Dr. Garo, who have informed me about their plans

2. I have made bookings for the following on the flight Baghdad to Basra on Monday 3rd May (it is easier to make bookings and then cancel them or change the names- it is impossible to make late bookings after the deadline time)

- The Minister
- ~~Bodyguard 1~~
- ~~Bodyguard 2~~
- Dr. Walid Khidder
- Mr. Faisal Murad
- Dr. Garo Sahakian
- (b)(6)

Flight only? left?
Pls
11:30 on
2/5/

I have checked that Dr. Garo Sahakian now prefers to fly rather than travel by road

3. Dr. Garo has informed me that the Minister's bodyguards will travel by road and so will not need flight bookings. Please confirm this is correct - OR if the Minister wants them on the flight please could you tell me their names (I have called one Abdulla Taha and the other Mohommed Sinan because the computer insists on a name !)
4. Dr. Garo also informed me that Mr Samwel Polis also needs to accompany the minister. Please confirm that this is correct and I can change one of the names, Please also confirm his nationality (I presume he is Iraqi). If he needs to travel and the Minister also wants his bodyguards on the flight I will stay behind to ensure there are enough seats.
5. I also need to check the passports of Dr Walid, Mr. Faisal and Dr. Garo - I have registered Dr. Walid as Iraqi, Mr. Faisal as British and Dr. Garo as U.S. passport holders. I will check whether this is correct, or whether all have Iraqi passports. By copy of this email to Dr Garo, I would be grateful if they could inform me of their passports.
6. Concerning transfer to the airport on Monday 3rd May :
- a) we do not yet know the exact departure time - the airforce will not tell us when to arrive at the airport until the day before. I think (subject to change) that the flight is in the afternoon, so that we

5/1/2004

have to be at the airport by about 13.00 – but the airforce change their schedules at the last moment.

b) do you want CPA/DFID to make arrangements for CRG to provide the transport for the whole of the Minister's party from the Ministry to the airport ? (Minister, bodyguards, Dr. Walid, Mr. Faisal, Dr. Garo and Mr Samwel). I think that you know the CRG system – they have armour plated vehicles with driver and bodyguard in each vehicle, and they carry concealed weapons..

c) OR will the Minister and his party make their own arrangements ?

d) [redacted] and myself will go to the airport with CRG from the Ministry (subject to confirmation by [redacted] (b)(6))

7. I have booked all the Minister's party to return to Baghdad on Wednesday 5th May. Please confirm that this is correct. Mr. Faisal has now told me that he and Dr. Walid will stay an extra day. By copy of this email I should be grateful if Dr. Walid, Mr Faisal, Dr Garo and Mr Samwel can inform me of their date of return (Wednesday, or Thursday or Friday).
8. Concerning the return journey from Basra to Baghdad on Wednesday, please inform me whether the Minister would like CPA/DFID to arrange CRG transport from the airport to the Ministry, or whether he prefers to make his own arrangements.
9. Concerning arrangements in Basra, please confirm that Ministry of Industry will make their own arrangements for accommodation in Basra for the Minister, Mr. Samwel and his bodyguards at State Enterprise guesthouse or elsewhere. Dr. Khidder, Mr Murad and Dr, Sahakian will make their own arrangements.
10. CPA South can provide accommodation for Minister and his group if needed. CPA South will arrange accommodation for [redacted] (b)(6)
11. CPA South should make arrangements for transport around Basra to and from airport to CPA, to and from Petrochemicals factory and fertilizer factory for all the group including personal bodyguards accompanying the Minister at all times. CPA will try and arrange a helicopter for at least 8 passengers

I expect that that the last thing you want is a list of 11 problems for you to deal with on the May 1st Holiday and the Prophet's Birthday.

Please email me or telephone on [redacted] (b)(6)

With best wishes

[redacted] (b)(6)

5/1/2004

Sent: Thursday, December 04, 2003 9:21 AM
To: (b)(6)
Cc: [redacted]
Subject: RE: HQ Industry and Minerals

The best way to get the information quickly is to call the person in charge of the renovation project at the ministry – his name is Dr. Hameed al-Ambari, DG Design and Ind. Construction Dept., 1-914-822-7130.

I will let him know that you will be calling and that you need the information quickly!!!

I am going out of town this morning and will return on Sat.

(b)(6) Senior Advisor
Ministry of Industry and Minerals
Coalition Provisional Authority (CPA)
Baghdad, Iraq

(b)(6)

MINISTRY email: pls address ministry inquiries to
industry@uruklink.net c/o (specify dept. or POC)
[file://cpa-iraq.org](http://cpa-iraq.org)
www.baghdadbusinesscenter.org
www.export.gov/iraq

-----Original Message-----

From: (b)(6)
Sent: Thursday, December 04, 2003 8:41 AM
To: (b)(6) Ministry of Ind/Minerals
Subject: HQ Industry and Minerals
Importance: High

(b)(6)

[redacted] we were by the Ministries of Education and Higher Education last week which are adjacent to the Ministry of Electricity. It is our understanding that Industry and Minerals intends to use the other half of the building shared with Electricity. If this is the case, I need additional information on the ½ of the building that Industry and Minerals intends to use. We do have the estimate you provided us, however, I need more specific information like desired floor plans (basic sketches are fine) and, most immediately, the total SM the Ministry intends to use and refurbish. Nothing provided has that information yet.

I need this ASAP as our plans and priorities are leaving Ambassador Bremer's office and going to DC on the 10th and the Ambassador would like to review the information. Is December 6th too soon? It should not be a difficult task to at least have the SM total... let me know.

Thanx.

(b)(6)
Project Architect
CPA/PMO
(b)(6)

5/2/2004

CONTRACT**for Re-Construction of Men's Garment Factory in Najaf, Iraq****ARTICLE 1.0 DEFINITIONS**

The following terms when used in the contract shall have the meanings herein assigned to them, unless their use in the context is inconsistent with such meanings.

1.1 the BUYER means:

Name: Ministry of Industry & Mineral
State Company for Ready Made Wear
Add.: P.O.Box.: 2200 IRAQ Mosul _ Mansor
Legal Authority: Mr. Salih Hammodi Yasin / D.G

(b)(6)

the SELLER means:

Name: Beijing Jinrun Taihe Trade Co., Ltd.
Add.: 1st Floor 11th Building Songyu Xili Chaoyang Dist. Beijing, China.
Legal Authority: Wang shuying
Authorized deputy: FADY (Chen xianzhong)

(b)(6)

Opening bank: Guangdong Development Bank, Beijing Branch
Account No. (b)(6)

- 1.2 Contract means this agreement between the BUYER and SELLER, which shall include all the terms, provisions, general terms and conditions and the contract specifications and the Technical attachment.
- 1.3 Order amount means the Seller's contract price set forth in item 5.0 which is the Seller's price for the construction material, engineering, erection, supervision, etc. stipulated in item 2.0 scope of supply of Technical Specification.
- 1.4 Construction material means materials to be supplied by the Seller under the contract, the details of which shall be as described in the Technical Specification. Such detail may not hinder the complete ness of the job or limit the supply of required material.
- 1.5 Day, Week and Month means calendar day, calendar week and calendar month according to Gregorian calendar, respectively.
- 1.6 Services means Erection, supervision, Technical Assistance, Training and other such obligation of the Seller covered under the Contract will view to complete the job as the issued tender documents.
- 1.7 Last Major shipment means last partial shipment of major portion.
- 1.8 Contract specifications means the Contract Specification and offer (commercial and technical) and their addendum and or amendments there to agreed upon in writing by both parties, all of which shall be incorporated and made binding as an integral part of the Contract. All above shall be enforced together but should contradiction arises between terms so that they may not be enforced without negating some terms then they shall prevail in the afore said order.
- 1.9 Acceptance Certificate means the certificate to be used by the Buyer after performance guarantee tests have been successfully completed and the "period for Warranty and Liability for Defects"

begins.

- 1.10 Start-up means the beginning of the commissioning after the completion of the erection work.
- 1.11 Warranty and Liability for Defects period means the period during which the Seller shall be fully responsible for good and any defect in the design, engineering, materials and manufacture.
- 1.12 Site means the place where the building will be installed. It is Men's Garments Factory in Najaf.
- 1.13 Supervisor means the person authorized by the Seller to perform the Seller's obligations regarding the supervising services under the Contract.
- 1.14 Sub supplier means any person, firm or corporation with which the Seller shall have contracted the supply of any part of the construction material and Services in accordance with terms of the contract.

ARTICLE 2.0 GENERAL FEATURE

- 2.1 The Seller shall supply the Scope of Supply as described in the offer & Specification.
- 2.2 The Seller shall take full responsibility for completeness of the Scope of supply under the Contract.
- 2.3 The drawings, data, technical specification and other relative technical documents that need to be submitted by the Buyer shall be supplied to the Seller as indicated in the Technical Specification.
- 2.4 Questions, which may occur during the preparation of workshop drawings by the Seller's manufacture, shall be sent by fax to the Buyer. The buyer shall endeavor to answer the questions within three (3) working days after receiving them.

ARTICLE 3.0 SCOPE OF CONTRACT

The Seller shall perform the following tasks under the terms & conditions of the contract & as outlined there - in

- Manufacture and delivery of the equipment and material as setout in the contract.
- The construction & erection of the total project including the supply of the local construction materials & the labor cost to perform the jobs. .
- The cost of the third party inspection outside Iraq as set else where in this contract.
- Training
- Engineering of the project basic data
- Technical assistance.

ARTICLE 4.0 DELIVERY

4.1 Date of delivery

The items listed in the scope of supply shall be delivered in three shipments according to the technical specification.

On the other hand, the Seller shall make the equipment ready for shipment as per time table of technical specification.

Seller shall inform Buyer at least 30 days before the shipment date.

4.2 storage/ suspension

4.2.1 In case the scope of supply under this contract is delayed due to Buyer's inability to accept the goods on time or if delivery can not be effected for any other reasons beyond Buyer's control, the Seller shall, for a period of thirty (30) days, hold the scope of supply at its own factory in proper storage at the cost of the seller itself. Should such thirty (30) days be insufficient to solve such problem, the seller keep the scope of supply in proper storage of another thirty (30) days. Cost and expense caused by such extension of storage shall be borne by Buyer. If shipment cannot be effected under such a situation for more than sixty (60) days from the date of delivery stipulated in Article 4.1

the presentation of the related invoice with warehouse receipt shall be good for payment instead of the shipping documents listed.

4.22 In case of a partial or whole termination / retreat of the Contract, the Seller is obliged to provide Buyer all necessary documents for the calculation of the cost arisen so far.

ARTICLE 5.0 ORDER AMOUNT & PAYMENT CONDITION

The total contract price is U.S.Dollar5890000.00 (say five million eight hundred ninety thousand U.S.Dollar)

Subdivided as follows:

5.1 The seller's bank shall issue the advance payment guarantee to the beneficiary of the buyer, which amount is thirty four percent (34%) (that is USD2002600.00) of the contract price. The buyer shall pay down the payment by T/T which amount is the same as thirty four percent (34%) (here is to say USD2002600.00) within three days after receiving the advance payment guarantee to the beneficiary of the buyer.

The seller shall effect the first batch of construction material and equipment within 30 days after receiving the advance payment which amount is thirty four percent (34%) (here is to say USD2002600.00).

5.2 An amount of Thirty five percent (35%) (that is U.S.Dollar2061500.00) of the contract price shall be paid for construction material and equipment shipped from outside Iraq. Payment will be against shipment documentation endorsed by the buyer and the manner of payment is "Collection", that is Documents against Payment at sight (D/P at sight) through bank.

5.3 An amount of ten percent (10%) (that is U.S.Dollar589000.00) of the contract price shall be paid for erection and supervision of the contract Payment will against progress invoice.

5.4 An amount of eleven percent (11%) (that is U.S.Dollar647900.00) of the contract price shall be paid to seller after tests of production workshops have been successfully completed. And the manner of payment is by T/T.

The payment is as follows:

5.4.1 Engineering 3%

5.4.2 Training 2%

5.4.3 Successful test run 6%

5.5 An amount of ten percent (10%) (that is U.S.Dollar589000.00) of the contract price shall be kept as a "Retention Money" as follows:

The buyer shall pay the ten percent (10%) (that is U.S.Dollar589000.00) of the contract price by T/T after the whole project has been tested successfully.

5.6 After the whole project has been tested successfully, the Seller will issue bank guarantee bonds of five percent (5%) (that is U.S.Dollar294500.00) of total contract price as the project quality payment guarantee. The validity of the project quality payment guarantee is one year. Maturity of one year makes bank guarantee bonds invalidation by itself.

5.7 shipping documents needed:

- Commercial Invoice: 3 originals
- Bill of Lading: 2 originals
- Packing List: 1 original, 2 copies.
- Certificate of Origin: 1 original



ARTICLE 6.0 VESSEL ARRANGEMENT

- 6.1 The Seller shall notify the Buyer by written manner for the necessary information at least one (1) month for partial shipment and 45 days for 1 (one) shipment, before readiness of manufacturing of the equipment for the Buyer's vessel arrangement which approximate number of packages, total weight and measurement, loading data, shipping port and other special information.
- 6.2 In accordance with the Seller's notice mentioned in 7.1 above, the Buyer shall arrange on customary change dispatch basis suitable vessels for smooth and safe loading, the Seller shall inform the Buyer via written manner for the name of the nominated vessel at least one (1) week prior to actual shipment.

ARTICLE 7.0 PACKING & MARKING

- 7.1 The packing shall be packed in accordance with the manufacturer's export packing (sea packing) as to ensure that the construction material shall be delivered at the site in satisfactory condition.
- 7.2 Marking shall include the following information:
- a. case no.
 - b. Name of the Buyer
 - c. Packing list for each casing as per technical specification (in and out of fully covered casing)
 - d. Net weight, gross weight and size (length, width, height)

ARTICLE 8.0 INSURANCE

The Seller shall insure the equipment against all marine risks in transit from the time on board ocean vessel at the loading ports to the time of arrival at the site.

ARTICLE 9.0 PATENT RIGHTS

- 9.1 The copyright in all drawings and other documents provided by the "Seller under this contract shall remain vested in the Seller. The Buyer shall have the right to use such drawings and other documents only in connection with the purpose of this contract.
- 9.2 The copyright in all drawings and other documents provided by the Buyer under this contract shall remain vested in the Buyer. The Seller shall have the right to use such drawings and other documents only in connection with the purpose of this contract, but not any other purpose.

ARTICLE 10.0 STANDARDS

The dimensions and tolerances of construction shall be in accordance with applicable Chinese Standard. Material supplied will be designed, fabricated and tested in conformity to the following standards.

- 10.1 《standard of construction and check and accept for steel structure projects》 GB50205-2001

《regulation of designing construction steel structure》 JGJ81-91

《regulation of designing construction and check and accept for bolt jointing of steel structure with high intension》 JGJ82-91

《regulation of designing for steel structure》 GBJ17-88

《regulation of steel structure for cooling bend thin wall model》 GBJ18-87

《grade for steel surface rust before coating and grade for defending rust》 GB8932-88

《unity standard of inspection and accepting for construction projects quality》 GB50300-2001

《method of ultrasonic detecting for handwork jointing of steel structure and grade of resistan》 GB11345-89

ARTICLE 11.0



Unit in design and manufacture of the construction material will be metric system
Meter per mm in length
Ton or kg in weight
Centigrade in temperature
Screw threads to comply with ISO metric system
Pressure to comply with SI unit

ARTICLE 12.0 PAINTING

The guarantee period for such repaired or replaced parts shall be twelve (12) months from the date on which the concerned part is ready for operation.

- a. normal wear and tear of the construction.
- b. normal operation of the Buyer
- c. any alternation made with the consent of the Seller.

ARTICLE 13.0 LIQUIDATED DAMAGES

13.1 In case the seller fails ready before commencement of loading date on time as stipulated in technical specification. The seller shall be liable for paying Buyer liquidated damages which shall be deducted from unshipped goods value under contract.

13.2 The rate of liquidated damaged is charged at point five percent (0.5%) for every (7) seven calendar days for each week's delay. However liquidated damages shall not exceed five percent (5%) of the total contract amount.

13.3 In case the buyer reason the contract delay for implement, the Buyer shall be liable for paying Seller liquidated damages, the rate of liquidated damaged just same item 14.2.

ARTICLE 14.0 ASSIGNMENT AND SUBCONTRACT

If the Seller shall assign some part of its obligations under this contract to any third party, it must be with the Buyer's prior written consent. Such consent shall not be unreasonably withheld by the Buyer. The seller guarantees that any and all subcontractors of the Seller for performance of any part of the work under the contract are international recognized subletting of the contract is not allowed to exceed 50% of the contract value.

ARTICLE 15.0 INSPECTION AND TESTS

15.1 The Buyer's authorized representative(s) shall be entitled to investigate and inspect the scope of supply at any stage of production and /or delivery at any reasonable time during working hours, at the seller's cost.

15.2 The seller shall conduct, at his own expenses and responsibilities and test of the equipment at Seller and or his subcontractor's works according to their standard practices and international standards. Such inspections and test shall be finalized for the purpose of the shipment concerned and the Seller shall submit to the buyer the reports of manufactures inspections and tests

15.3 The Buyer and or his authorized inspector shall have the right to attend, during the normal working hours of the seller or his subcontractors. Such inspections and tests as referred to in paragraph 16.2.

15.4 The Buyer shall have the right to take necessary picture or films during the production and tests

15.5 Reassembly of billet conveying mechanism, cooling bed, etc. Shall be carried out at work shop in China first. The buyer's representatives shall witness the result at the seller's cost.

15.6 The seller shall notify the Buyer the places and time when the Seller intends to carry out the tests

such time being not less than fifteen (15) days later than the date the notice is received by the Buyer.

ARTICLE 16.0 SUPERVISION

16.1 The seller provide the services of competent supervisors with sufficient qualifications and experience to supervise and / or to give instructions to the seller's erection team to perform .

- a. installation of the equipment at site.
- b. Commissioning of the equipment after completion of the installation of the equipment.

16.2 The Seller shall dispatch the supervisor to the site to perform the supervising services stipulated in article 16.1 in accordance with the training period specified below. This period might be extended in case of the Buyer's requirements.

16.3 An office shall be provided to the supervisors at site by Buyer.

16.4 The seller shall send 20-25 technical supervisions. Their accommodation and food shall be at the buyer's cost.

ARTICLE 17.0 TRAINING

The Seller's instructors shall provide such specific training, relating to the continuing operation of production line in this contract. It includes a training of (12 men/month) in China.

ARTICLE 18.0 FORCE MAJEURE

18.1 Should either party be prevented wholly or in part from fulfilling any of its obligations under the contract for reasons of force majeure, such obligation shall be suspended to the extend as long as such obligation is affected by force majeure. And this article shall be entitled to such extension of time to fulfill such obligation as may be reasonably necessary in the circumstance.

18.2 Force majeure hereunder shall be defined as any of the following events: war, freight embargo, tidal waves, typhoons, fires, explosion, flood. These events shall only be considered if they were of direct effect on contract performance.

18.3 The prevented party shall notify the other party by written manner within the shortest possible time of the occurrence of the force majeure and within three (3) days, send by registered airmail to the other party if this kind of communications are available. A certificate of evidence issued by the relevant authorities for confirmation.

18.4 If force majeure is lasting for more than 60 days then the parties shall meet and mutually agree upon means to implement the contract.

ARTICLE 19.0 RESOLUTION OF DISPUTES

19.1 The Buyer and Seller shall follow the following sequence of events in pursuing resolution of any disputes, differences or disagreements under the Contract:

1. the parties shall first seek amicable settlement, through mutual consultation.
2. either party may request the referral to an agreed Expert prior to submitting to Formal Arbitration.
3. if the recommendation of the Expert, when used, is not acceptable to either party, Formal arbitration shall settle the matter.

4. all disputes, which cannot be settled amicably under or in relation to this agreement, shall be resolved by arbitration. The place of arbitration shall be in Baghdad or International Chamber of Commerce.



ARTICLE 20.0 TAXES AND DUTIES

A: - The seller is free of Taxes and Duties in the period of project's construction for the works related to this contract. The Buyer shall pay all taxed and duties for this project in side of the Iraq.

ARTICLE 21.0 CANCELLATION OF CONTRACT

In case of the seller failure in fulfilling any of his contractual obligations, including his exceeding to the 5% penalty, the buyer will have the right to cancel the contract after noticing the seller within 90days from signing date of contract in order to reconsider this status in fulfilling his contractual obligations. Then the buyer will have the right to continue the execution of the contract on account of the seller and charging him with all the financial and legal consequences which resulted from this failure.

ARTICLE 22.0 VISAS AND PERMITS

The buyer shall arrange for Chinese Engineers visas, working permits, harbor permits, import/export licenses, registrations, certifications, declaration and other legal document required in Iraq.

ARTICLE 23.0 EFFECTIVE DATE OF CONTRACT

A: From the date of contract signed, the seller's bank will issue the advance payment guarantee to the beneficiary of the buyer, which amount is thirty four percent (34%) (that is USD2002600.00) of the contract price. The buyer shall pay down the payment by T/T which amount is the same as thirty four percent (34%) (here is to say USD2002600.00) within three days after receiving the advance payment guarantee to the beneficiary of the buyer. The date of contract entering in force shall be the date of the amount thirty four percent (34%) (that is USD2002600.00) comes into the seller's account.

B: The receipt by the buyer of a bank guarantee issued on behalf of the seller by an reputable bank for the amount of thirty four percent (34%) (that is USD2002600.00).

C: The contract shall come in force on the fulfillment if the requirement in A & B above.

SIGNED FOR AND ON BEHALF OF:

FIRST PARTY

Date: Jan-5/2004

SECOND PARTY

Foreign Language

Foreign Language

**AGREEMENT
S/ NAJAF PLANT**


DATE: 4/1/2004

THE DESTRUCTION RUINS OF THE PLANT SHALL BE
LIFTED OUTSIDE THE SITE BY THE SELLER WHO SHALL BEAR
THE ACHIVITY COST WHICH SHALL BE LIMITED TO A MAX OF
40000U.S.DOLLARS

THE BUYER SHALL FURNISH THE FULL ASSISTANCE TO
LIMIT THE COST TO THE A.M VALUE.

Foreign Language


FOR THE SELLER
MR. FADY CHEN


FOR THE BUYER
MR. SALIH HAMMODYASIN



Foreign Language



**MEN'S GARMENTS FACTORY
IN NAJAF**

**PLAN ACTION PROGRAM
BUSINESS PLAN
To
Coalition provisional Authority
From
Ministry of industry and minerals**

1. Applicant/corporate structure: the state company for **Ready made wear industry** is a state owned enterprise within the ministry of industry and minerals operating under law 22 of 1999. The state company for **Ready made wear industry** was founded in **1988** and is a manufacturer of garment. The company operate under a board structure consisting of :

- . Board member **1. Provide name, title, reason for board appointment.**
- . Board member 2 **1. ALA SABRI ABDUL RAZZAK**
 2. IHSAN TAHA ABDUL BAKI

2. ADDRESS/PHONE :

- . The state company for Ready made wear industry address and city.
 Mousl – almansur tel : 008821621204520

3. CONTACT PERSON(S) : Identify DG of the state company and the project director of this plan action program from the minstry. **SALIH HAMOODI YASSINE**

4. PROJECT SUMMARY :

Summarize the major activities that the state owned enterprise will have to undergo in the short term (2004) to continue to operate. Example would include refurbish plant, refurbish equipment, purchase machinery, obtain materials, develop capacity (i.e hire marketing or advertising firm). Give a brief synopsis why this activity is necessary (is it to achieve a production level required to obtain market share? Is it a production level necessary to reduce cost and gain efficiencies? Explain why the project makes sense.

Men's garment factory in najaf established at 1985 the capacity of production reaches about 1.000.000 pcs yearly . all machines (1281 machines) are new modern with computerized unit for design (Gerber) purchase from U.S.A , Also the ironing machines operate with computer unit each. The staff of this factory have high experience (engineers and other employers). Its production is required from export and all local market .

5. TOTAL PROJECT COST/USE OF PROCEEDS :

Identify the project cost from the above paragraph. Specify in ID and US\$. Give a justification for the cost (this is the appropriate machine . increased production will require additional working capital tied up in the business... etc.)

Funds in the amount of x,xxx,xxx,xxxID/\$X,XXX,XXX (use commas and specify to the last dollar or ID): (break out the use of funds)

Working Capital (TBD by accounting consultant)	000
Inventory	000
Refurbish Plant	2,000,000
Purchase machiney	000

6. PROJECT SOURCE OF FUNDS :

Specify where you expect funds for the project will come from (how much debt, vs, grant funding vs. retained earnings or cash in the company)

State company for xxxxx contribution from Existing profits (attempt to obtain 10% from company) 000	
Bank/Mof (debt/loan)	000
MoF (grant)	\$ 2,000,000
TOTAL	\$ 2,000,000

7. REQUESTED LDC LOAN/TERMS :

To be determined by the accounting consultants

8. EMPLOYMENT :

The state owned company for Ready made wear industry employs 1750 persons (about 1550 women work in this factory) in the following provinces (specify loaction and number employed).
The location in Najaf city.

9. HISTORY :

Provide brief history.

The state com. Of ready made wear industry is one of the froms of ministry of industry and minerals , it started as establishment at 6.3.1988 and fineancially activities at 4.1.1988. the are four factories for different productions (Najaf , Baghdad , Mosul , Anna'h)

10. OPERATIONS

Discuss the operationb of the company going forward... address the questions requested.

. What is the current and potential market for the current product (who is there customer?) (who is there competition?) (who many contract exist and ccan the be documented ? Vs. this is an attempt)
All our production was required for local demand (ministry of higher eduction teachers) and student uniform , no compettitor

. What scale or level of output should the SOE achieve and sustain?

. What are the human resources necessary to support the scale

. What additional skill sets are required to obtain the end state ? (do you need a sales force?)

. What are the permanent working capital needs to support the scale

. What are the project costs associated with the above scale the above scale to achieve and sustain the necessary production?

. How will we get to the above scale in an econmical matter? What are the phased projects? And project costs?

. What are the available options to the SOE (what are the proposals from potential investors)?

Our production is required for

- 1. Export : we have progressive steps for export our men's suit .**
- 2. Contracts : we have many contracts with ministries (higher education , education) .**
- 3. Local markets our production can be distributed for fairs and customers.**

11. FINANCIAL PROJECTIONS/STATEMENTS

as enclosed

12. MANAGEMENT

Provide CV of management at the SOE ... provide CV of persons critical to the success of the firm going forward (board member who will be engaged or minstry member who will be engaged)...

13. PROJECT STRENGTHS/WEAKNESSES

strengths :

- . Management capacity of the firm (principal is again falling on his "turnaround" abilities)
- . Management commitment.

Weaknesses :

- . General business risk
- . Security risk.

14. RECOMMENDATION :

Financial projections/ statements

Information	31/12/2002	30/6/2003
debit & credit commitment	894618083/ 140171583	1162158378/(1307083169)
Fixed assets	688112070	865140999
Fixed assets & book value	617524278	852124705
Inventories at cost	2125639020	2193077825
Debtors	(1401717883)	(1307083169)
Cash balance	1952217992	1170192096
Paid – Up capital (normal capital)	470000000	470000000
Preserves	701842199	701842199
Short tern provision	33471640	37066204
Creditors	2118838060	1162158374

Traind. Profit and loss and Appropriation Account at

Information	30/6/2003
Revenue of current activity	1182960179
Production cost	480851662
Protection service cost	148363218
Change in inventories of progress	320005926
cost	233739373
Net cost current activity	(653119007) – loss
Surplus (deficit) of current activity	(653119007) – loss
Less cost of marketing service	43301215
Trading (deficit)	(696420222)
Less cost of administrative and financing	26637538
Add transferable revenue	(723057760)
Add other revenue	107250
Less transferable expenses	4575600
Activity result	(727526110) – loss

Foreign Language

BELJING JINRUN TAIHE TRADE CO. LTD.
Beijing office: 1st Floor, 11th building, songyu xili, chaoyang district, beijing, china
Tel: 86-10-67339925/6/7/8 fax: 86-10-67339929 E-mail: jjalun@mx.cci.gov.cn

Attachment (3)

BENEFIT ANALYSES

1. CAPACITY PRODUCTION

The capacity of production of Najaf factory every year is 1 million set of the clothes. At least every month is 80000sets of clothes. The price of the each set average is \$25.00. each month can supply \$2milliones products to the markets. The factory can earn profit 15% of the products. Every month is \$300000.00. The Najaf factory start to work early is better for the factory and government. Others the Government will be lost \$ 2 million of production value each month

2. INCREASE OUTPUT AFTER TECHNICAL CHANGE

After rebuilding the Najaf factory we can send the experts to help them changing the old production Line to increase the output. The quantity of production will be rise 10%. Each month can be increase 4500sets of clothes. At least every year increase production 50000sets of suit. Each set average price is \$25.00. the production value will be increased 1.125million. this profit was rise only from changing the technical way of production line .

3. EXPORTING THE PRODUCTION TO WORLD MARKET

On the same time our Company will corporate with Najaf factory to export the production to the world markets. First rising the quality and than exporting to America and Europe markets what the factory product. We plan to export 100000sets each year. The profit is \$ 10.00 of each set. Every year can earning \$ 1million net.

4. EXTENDING LOCAL MARKET

the local market is very big in Iraq. The Najaf Garment factory is biggest factory to manufacture the suit and uniforms. The uniforms of different units will be manufactured in the Najaf factory. Like students, police and working uniform and so on. The profit of the each set only \$2.00 each year can be earning more than \$ 2millions.

According to the benefit analyse the rebuild the Najaf factory earlier is better than later. Within the three years the investment of rebuilding will be return back. The 2000workers have the work.



Foreign Language

BEIJING JINRUN TAIHE TRADE CO. LTD.

Beijing office: 1st Floor, 11th building, songyu xili, chaoyang district, beijing, china

Tel: 86-10-67339925/6/7/8 fax: 86-10-67339929 E-mail: jialun@mx.cci.gov.cn

Brief on the Programme of Reconstruction of Najaf Garment Factory

The proposed programme consists of 3 phases, which are as below:

- **Phase 1 — Rebuilding and Repairing the Buildings**

1. Design for the rebuilding works
2. Repairing the factory
3. Rebuild the warehouses
4. rebuild the office and services building

- **Phase2 — Recovering and Improving Manufacturing**

1. Repairing the manufacturing facilities and Importing the new advanced facilities.
2. Improving the process of the manufacturing and relayout the facilities.
3. Training the technicians and workers of Najaf factory

After this phase, the production will be increased by 10% and daily production amounts will be increased by 150 sets.

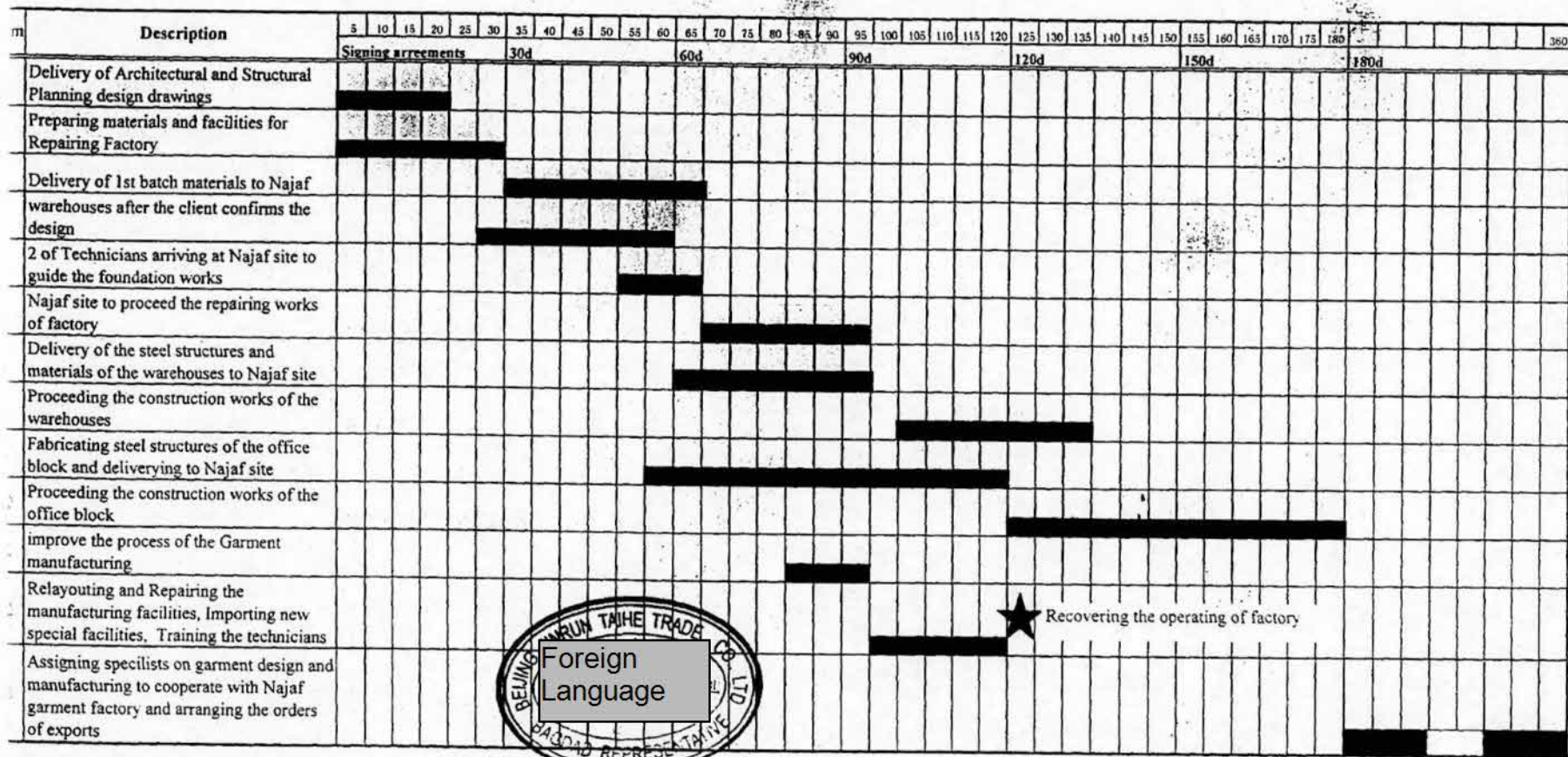
- **Phase3 — Cooperating with Najaf Factory for Development**

1. Assigning specialists to cooperate with the Najaf garment factory
2. Arranging orders of exports

Programme and schedule are attached.



PROGRAMMES AND SCHEDULE FOR RECONSTRUCTION OF NAJAF GARMENT FACTORY



State Owned Enterprise	2003 Subsidy	Cash Inflows			Requesting Expenses							Capex	Total Cash Flow (Needs)	2004 Salary Subsidy Request	2004 Operational Subsidy Request	2004 Subsidy Request	Salary Delta
		Revenue from 2004 Production	Revenue from Preexisting Inventory	Total Cash Inflows	Salaries	Army Rent Subsidy	Security	Requesting Capex	Outstanding A/P	Requesting Operations	Total Operating Expenses						
Vegetable Oils Industry	\$2,000,000	5,000,000	0	5,000,000	6,798,600		300,000	0	3,000,000	0	12,398,600	0	(7,398,600)	5,098,950	3,300,000	8,398,950	(1,600,350)
Leather Industries	\$1,000,000	3,500,000	0	3,500,000	5,079,600		200,000	0	2,000,000	0	8,679,600	0	(5,179,600)	5,079,600	2,200,000	7,279,600	(2,200,000)
Battery Industries SC	\$1,000,000	1,500,000	0	1,500,000	3,472,200		150,000	0	2,000,000	0	7,222,200	0	(5,722,200)	868,050	2,150,000	3,018,050	454,150
Mechanical Industries	\$1,200,000	8,000,000	0	8,000,000	6,969,600		100,000	0	4,000,000	0	22,919,600	0	(14,919,600)	6,969,600	4,100,000	11,069,600	(4,100,000)
Cotton Industries SC	\$1,000,000	8,500,000	0	8,500,000	12,096,000		100,000	0	3,000,000	0	12,846,000	0	(4,346,000)	12,096,000	3,100,000	15,196,000	(3,100,000)
Ready Made Wear Industries	\$1,000,000	2,500,000	0	2,500,000	5,812,200		75,000	0	1,000,000	0	8,637,200	0	(6,137,200)	5,812,200	1,075,000	6,887,200	(1,075,000)
Tobacco & Cigarettes	\$2,500,000	11,250,000	0	11,250,000	4,042,800	1,750,000	75,000	0	4,000,000	0	17,774,618	1,000,000	(7,524,618)	2,021,400	5,825,000	7,846,400	(3,803,500)
Iron & Steel	\$500,000	0	50,000,000	50,000,000	7,574,400		75,000	0	0	0	8,074,400	20,000,000	21,925,600	7,574,400	75,000	7,649,400	(75,000)
Electrical Industries SC	\$2,500,000	7,000,000	0	7,000,000	5,684,400		100,000	0	2,000,000	0	9,604,400	0	(2,604,400)	4,263,300	2,100,000	6,363,300	(678,900)
Tires Industries - Najaf	\$500,000	6,000,000	0	6,000,000	4,320,000		50,000	0	2,000,000	0	8,120,000	1,500,000	(3,620,000)	1,080,900	2,050,000	3,130,900	1,190,000
Wasil Textile	\$250,000	6,000,000	0	6,000,000	5,970,600		50,000	0	1,000,000	0	9,365,600	0	(3,365,600)	5,970,600	1,050,000	7,020,600	(1,050,000)
Construction Industries	\$500,000	3,000,000	0	3,000,000	5,783,400		150,000	0	0	0	8,283,400	1,000,000	(6,283,400)	5,783,400	150,000	5,933,400	(150,000)
Al Sawan Chemical Industries	\$150,000	2,500,000		2,500,000	1,729,800		75,000	0	1,000,000	0	3,479,800	0	(979,800)	1,297,350	1,075,000	2,372,350	(642,550)
Paper Industry	\$250,000			0	5,675,400		75,000	0	1,000,000	0	5,675,400	0	(5,675,400)	5,675,400	1,075,000	6,750,400	(1,075,000)
Rubber Industries	\$500,000			0	2,161,800		50,000	0	1,000,000	0	2,161,800	0	(2,161,800)	2,161,800	1,050,000	3,211,800	(1,050,000)
Industrial Promotion	\$100,000	0	0	0	338,400		25,000	13,000,000	0	6,000,000	7,000,000	13,000,000	(20,000,000)	338,400	10,025,000	19,363,400	(19,025,000)
Sugar Industry	\$500,000	3,000,000	0	3,000,000	864,000		200,000	0	1,000,000	0	15,864,000	0	(12,864,000)	864,000	1,200,000	2,064,000	(1,200,000)
Furniture Factory	\$125,000			0	401,400		25,000	0	0	0	401,400	0	(401,400)	401,400	25,000	426,400	(25,000)
Dairy Products SC	\$500,000			0	2,187,000		100,000	0	1,000,000	0	2,187,000	0	(2,187,000)	2,187,000	1,100,000	3,287,000	(1,100,000)
Nissan (17)	\$100,000	0	0	0	1,449,000		25,000	0	0	0	1,449,000	0	(1,449,000)	1,449,000	25,000	1,474,000	(25,000)
Car Manufacturing (Vehicle Industries)	\$225,000	0	0	0	3,900,600	750,000	75,000	0	0	0	4,750,600	0	(4,750,600)	3,900,600	825,000	4,725,600	(825,000)
Refractories Company	\$200,000	2,500,000	0	2,500,000	1,729,800		25,000	0	1,000,000	0	3,479,800	0	(979,800)	1,729,800	1,025,000	2,754,800	(1,025,000)
Nasser Al Adeem	0	13,000,000	0	13,000,000	1,990,800		50,000	0	2,000,000	0	9,201,400	0	(3,798,600)	995,400	2,050,000	3,045,400	(1,054,600)
Ibn Sena	0	1,000,000		1,000,000	1,350,000		50,000	0	1,000,000	0	3,479,800	0	(2,479,800)	1,350,000	1,050,000	2,400,000	(1,050,000)
Al Zawra	0	1,000,000		1,000,000	1,555,200		50,000	0	1,000,000	0	9,604,400	0	(8,604,400)	1,555,200	1,050,000	2,605,200	(1,050,000)
Al Samood	0	1,000,000		1,000,000	2,676,600		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	2,676,600	1,050,000	3,726,600	(1,050,000)
Al Kharzen Center	0	1,000,000		1,000,000	651,600		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	325,800	1,050,000	1,375,800	(724,200)
Al Shaheed	0	1,000,000		1,000,000	2,340,000		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	2,340,000	1,050,000	3,390,000	(1,050,000)
Tareq	0	1,000,000		1,000,000	1,612,800		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	1,612,800	1,050,000	2,662,800	(1,050,000)

Agency reclassification



04215

State Owned Enterprise	2003 Subsidy	Cash Inflows			Requesting Expenses							Capex	Total Cash Flow (Needs)	2004 Salary Subsidy Request	2004 Operational Subsidy Request	2004 Subsidy Request	Salary Delta
		Revenue from 2004 Production	Revenue from Preexisting Inventory	Total Cash Inflows	Salaries	Army Rent Subsidy	Security	Requesting Capex	Outstanding A/P	Requesting Operations	Total Operating Expenses						
Hammurabi	0	1,000,000		1,000,000	1,144,800		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	1,144,800	1,050,000	2,194,800	(1,050,000)
Al Tahady	0	1,000,000		1,000,000	718,200		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	718,200	1,050,000	1,768,200	(1,050,000)
Ibn Al Walid	0	1,000,000		1,000,000	3,056,400		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	3,056,400	1,050,000	4,106,400	(1,050,000)
Al Ikhas	0	1,000,000		1,000,000	4,287,600		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	4,287,600	1,050,000	5,337,600	(1,050,000)
Al Rasheed	0	1,000,000		1,000,000	4,122,000		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	4,122,000	1,050,000	5,172,000	(1,050,000)
Azahf al Kabir	0	1,000,000		1,000,000	903,600		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	903,600	1,050,000	1,953,600	(1,050,000)
Al Noaman	0	1,000,000		1,000,000	1,157,400		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	1,157,400	1,050,000	2,207,400	(1,050,000)
Al Uboor	0	1,000,000		1,000,000	2,237,400		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	2,237,400	1,050,000	3,287,400	(1,050,000)
Al Mansour	0	1,000,000		1,000,000	1,206,000		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	1,206,000	1,050,000	2,256,000	(1,050,000)
Al Radhwan	0	1,000,000		1,000,000	1,368,000		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	1,368,000	1,050,000	2,418,000	(1,050,000)
Al Nidaa	0	1,000,000		1,000,000	2,302,200		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	2,302,200	1,050,000	3,352,200	(1,050,000)
Al Salam	0	1,000,000		1,000,000	1,353,600		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	1,353,600	1,050,000	2,403,600	(1,050,000)
Ibn Majed	0	1,000,000		1,000,000	2,966,400		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	2,966,400	1,050,000	4,016,400	(1,050,000)
Total	57,570,000	353,500,000	122,300,000	475,800,000	223,648,200	4,850,000	6,405,000	17,000,000	90,500,000	8,400,000	594,773,418	117,800,000	(236,773,418)	169,481,250	127,155,000	296,636,250	(72,988,050)

\$196,063,431

127.155
90.500
36.66 mm

1300

State Owned Enterprise	2003 Subsidy	Cash Inflows			Requesting Expenses							Capex	Total Cash Flow (Needs)	2004 Salary Subsidy Request	2004 Operational Subsidy Request	2004 Subsidy Request	Salary Delta
		Revenue from 2004 Production	Revenue from Preexisting Inventory	Total Cash Inflows	Salaries	Army Rent Subsidy	Security	Requesting Capex	Outstanding A/P	Requesting Operations	Total Operating Expenses						
Hammurabi	0	1,000,000		1,000,000	1,144,800		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	1,144,800	1,050,000	2,194,800	(1,050,000)
Al Tahady	0	1,000,000		1,000,000	718,200		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	718,200	1,050,000	1,768,200	(1,050,000)
Ibn Al Walid	0	1,000,000		1,000,000	3,056,400		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	3,056,400	1,050,000	4,106,400	(1,050,000)
Al Ikhaa	0	1,000,000		1,000,000	4,287,600		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	4,287,600	1,050,000	5,337,600	(1,050,000)
Al Rasheed	0	1,000,000		1,000,000	4,122,000		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	4,122,000	1,050,000	5,172,000	(1,050,000)
Azahf al Kabir	0	1,000,000		1,000,000	903,600		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	903,600	1,050,000	1,953,600	(1,050,000)
Al Noaman	0	1,000,000		1,000,000	1,157,400		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	1,157,400	1,050,000	2,207,400	(1,050,000)
Al Uboor	0	1,000,000		1,000,000	2,237,400		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	2,237,400	1,050,000	3,287,400	(1,050,000)
Al Mansour	0	1,000,000		1,000,000	1,206,000		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	1,206,000	1,050,000	2,256,000	(1,050,000)
Al Radhwan	0	1,000,000		1,000,000	1,368,000		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	1,368,000	1,050,000	2,418,000	(1,050,000)
Al Nidaa	0	1,000,000		1,000,000	2,302,200		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	2,302,200	1,050,000	3,352,200	(1,050,000)
Al Salam	0	1,000,000		1,000,000	1,353,600		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	1,353,600	1,050,000	2,403,600	(1,050,000)
Ibn Majed	0	1,000,000		1,000,000	2,966,400		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	2,966,400	1,050,000	4,016,400	(1,050,000)
Total	57,570,000	353,500,000	122,300,000	475,800,000	223,848,200	4,850,000	6,405,000	17,000,000	90,500,000	8,400,000	594,773,418	117,800,000	(236,773,418)	169,481,250	127,155,000	296,636,250	(72,988,050)

\$195,053,431

127.155
90.500

36.66 mm

730



COALITION PROVISIONAL AUTHORITY
BAGHDAD

ACTION MEMO

10 February 2004

FOR: THE DEPUTY ADMINISTRATOR
FROM: (b)(6) Director Civil Affairs
SUBJECT: State Owned Enterprises – 2004 Budgets

We need to resolve an issue around the allocation of budgets to each of the State Owned Enterprises attached to the various Ministries. The 2004 Iraqi budget contains a global allocation of about \$1bn for SOEs. The Finance Ministry is co-ordinating the payment of salaries through Ministries. This is likely to cost about \$560m, and the remainder is available for working capital and other needs. We have still not received bids from the majority of Ministries and we are now well into the financial year. The absence of agreed operating budgets means that even the potentially productive SOEs are moribund. At yesterday's Senior Advisers' meeting I was asked to see if you would be willing to chair a meeting to stimulate progress.

In preparation for such a meeting, a working group from Private Sector Development, Banking and Finance would develop some criteria for allocation. Once agreed, we would use them to determine which SOEs had a future, what resources they should receive and what we might do with the others – including the question of staff lay offs, or transfers to other roles. The existence of criteria might also allow us to make some allocations to those Ministries which have submitted requests for operating budgets.

RECOMMENDATION: You agree to take a meeting. Further delays will prevent these bodies making any contribution to the Iraqi economy

Approve: _____ Disapprove: _____ Approve with modification: _____

ATTACHMENTS: NONE

CO-ORDINATION: Finance, (b)(6) - ok

CC Private Sector Development, Tom Foley
Economic Policy, Marek Belka
Senior Advisers to Ministries

(b)(6)

From: (b)(6)
Sent: Tuesday, February 17, 2004 3:24 PM
To: (b)(6)
Cc:
Subject: SOE Power
Importance: High

Sir:

OMB has approved up to \$200MM from the 04 Iraqi SOE budget to provide much needed power for critical SOEs. The funds can be used to build new capacity, expand existing capacity, upgrade T&D, or upgrade fuel infrastructure such as natural gas lines. But the funds need to be dedicated to getting power and fuel to the SOEs in order to promote the economy recovery of Iraq

As the executing agent, we are looking for the Corps of Engineers to:

- conduct technical assessments of what is needed to bring power to select SOEs
- write the RFPs
- manage the RFP process
- select a vender
- provide oversight during construction

For institutional building and to take into consideration the upcoming transfer of authority, we'd like to propose the Iraqi MIM and MoE participate in the process

Regarding the Corps of Engineers 6% fee, can you provide more info? This is a new concept for us considering that the Corps of Engineers is a federal agency. Furthermore, the \$200MM is DFI money from the Iraqi budget, not US Supp or USAID funds. There may be some procedural and legal issues. Can this fee be waived or captured in an existing program? Does the Corps of Engineers require an Engagement Letter?

The following outlines critical SOEs that need power. The MW demand is a rough estimate.

Al Qiam Phosphate and Cement SOEs: 60MW
Kubaisa Cement: 43MW
Kirkuk Cement: 55MW
Fallujah Cement: 10MW
Northern Fertilizer: Baji. Salahdin: 20MW
Kufa Cement: Najaf 25MW
Karbala Cement: 35MW
Badosh Cement: 35MW
Sanjar Cement 34MW

What do we need to take this to the next step? Once we finalize the process with the Corps, we need to review with OMB, the Iraqi MIM and the Front Office

Thanks

(b)(6)

Private Sector Development Group
Coalition Provisional Authority

(b)(6)

<http://www.cpa-iraq.org>

2/17/2004

2/17/2004

Ministry of Industry and Minerals
(1,000 ID)

State Owned Enterprise	2003 Subsidy	Cash Inflows			Cash Expenses						
		Revenue from 2004 Production	Revenue from Preexisting Inventory	Total Cash Inflows	SOE Employee Salaries	SOE Contract Salaries	TOTAL SOE Salaries	Operating Expenses (Except for Salaries)	Operating Cash Flow	Security	Outstanding A/P
<i>Mechanical Industries</i>	1,200,000	8,000,000	-	8,000,000	6,969,600	260,000	7,229,600	22,919,600	(22,149,200)	100,000	4,000,000
Cotton Industries SC	1,000,000	8,500,000	-	8,500,000	12,096,000	604,800	12,700,800	12,846,000	(17,046,800)	100,000	3,000,000
<i>Vegetable Oils Industry</i>	2,000,000	5,000,000	-	5,000,000	6,798,600	339,930	7,138,530	12,398,600	(14,537,130)	300,000	3,000,000
Tobacco & Cigarettes	2,500,000	11,250,000	-	11,250,000	4,042,800	70,800	4,113,600	17,774,618	(10,638,218)	75,000	4,000,000
<i>Ur Engineering Industry</i>	2,700,000	10,000,000	-	10,000,000	6,033,600	301,680	6,335,280	16,833,600	(13,168,880)	150,000	2,000,000
<i>Sugar Industry</i>	500,000	3,000,000	-	3,000,000	864,000	43,200	907,200	15,864,000	(13,771,200)	200,000	1,000,000
Al Ikhaa	-	1,000,000	-	1,000,000	4,287,600	214,380	4,501,980	9,201,400	(12,703,380)	50,000	1,000,000
Al Rasheed	-	1,000,000	-	1,000,000	4,122,000	206,100	4,328,100	9,201,400	(12,529,500)	50,000	1,000,000
Ready Made Wear Industries	1,000,000	2,500,000	-	2,500,000	5,812,200	290,610	6,102,810	8,637,200	(12,240,010)	75,000	1,000,000
Leather Industries	1,000,000	3,500,000	-	3,500,000	5,079,600	253,980	5,333,580	8,679,600	(10,513,180)	200,000	2,000,000
Paper Industry	250,000	-	-	-	5,675,400	47,040	5,722,440	5,675,400	(11,397,840)	75,000	1,000,000
Ibn Al Walid	-	1,000,000	-	1,000,000	3,056,400	152,820	3,209,220	9,201,400	(11,410,620)	50,000	1,000,000
Ibn Majed	-	1,000,000	-	1,000,000	2,966,400	148,320	3,114,720	9,201,400	(11,316,120)	50,000	1,000,000
Al Samood	-	1,000,000	-	1,000,000	2,676,600	133,830	2,810,430	9,201,400	(11,011,830)	50,000	1,000,000
<i>Al Qadesia (Dyala) Electrical Industries</i>	2,600,000	6,000,000	-	6,000,000	4,069,800	203,490	4,273,290	11,569,800	(9,843,090)	100,000	2,000,000
Al Shaheed	-	1,000,000	-	1,000,000	2,340,000	117,000	2,457,000	9,201,400	(10,658,400)	50,000	1,000,000
Al Nidaa	-	1,000,000	-	1,000,000	2,302,200	115,110	2,417,310	9,201,400	(10,618,710)	50,000	1,000,000
Al Uboor	-	1,000,000	-	1,000,000	2,237,400	111,870	2,349,270	9,201,400	(10,550,670)	50,000	1,000,000
Construction Industries	500,000	3,000,000	-	3,000,000	5,783,400	289,170	6,072,570	8,283,400	(11,355,970)	150,000	-
<i>Battery Industries SC</i>	1,000,000	1,500,000	-	1,500,000	3,472,200	6,400	3,478,600	7,222,200	(9,200,800)	150,000	2,000,000
Al Zawra	-	1,000,000	-	1,000,000	1,555,200	77,760	1,632,960	9,604,400	(10,237,360)	50,000	1,000,000
Tareq	-	1,000,000	-	1,000,000	1,612,800	80,640	1,693,440	9,201,400	(9,894,840)	50,000	1,000,000
Al Radhwan	-	1,000,000	-	1,000,000	1,368,000	68,400	1,436,400	9,201,400	(9,637,800)	50,000	1,000,000
Wasit Textile	250,000	6,000,000	-	6,000,000	5,970,600	298,530	6,269,130	9,365,600	(9,634,730)	50,000	1,000,000
Al Salam	-	1,000,000	-	1,000,000	1,353,600	67,680	1,421,280	9,201,400	(9,622,680)	50,000	1,000,000
Al Mansour	-	1,000,000	-	1,000,000	1,206,000	60,300	1,266,300	9,201,400	(9,467,700)	50,000	1,000,000
Al Noaman	-	1,000,000	-	1,000,000	1,157,400	57,870	1,215,270	9,201,400	(9,416,670)	50,000	1,000,000
Hammurabi	-	1,000,000	-	1,000,000	1,144,800	57,240	1,202,040	9,201,400	(9,403,440)	50,000	1,000,000

/ Reflects new salaries /

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Electrical Industries SC	2,500,000	7,000,000	-	7,000,000	5,684,400	48,000	5,732,400	9,604,400	(8,336,800)	100,000	2,000,000
Woolen Industries SC	2,000,000	3,000,000	-	3,000,000	5,761,800	288,090	6,049,890	6,111,800	(9,161,690)	250,000	1,000,000
Textile Industries - Hilla	1,000,000	3,000,000	-	3,000,000	4,881,600	244,080	5,125,680	7,206,600	(9,332,280)	75,000	1,000,000
Azahf al Kabir	-	1,000,000	-	1,000,000	903,600	45,180	948,780	9,201,400	(9,150,180)	50,000	1,000,000
Al Tahady	-	1,000,000	-	1,000,000	718,200	35,910	754,110	9,201,400	(8,955,510)	50,000	1,000,000
Al Kharzen Center	-	1,000,000	-	1,000,000	651,600	32,580	684,180	9,201,400	(8,885,580)	50,000	1,000,000
Car Manufacturing (Vehicle Industries)	225,000	-	-	-	3,900,600	195,030	4,095,630	4,750,600	(8,846,230)	75,000	-
Glass & Ceramics	1,150,000	4,000,000	-	4,000,000	4,258,800	212,940	4,471,740	7,058,800	(7,530,540)	100,000	2,000,000
Tires Industries - Najaf	500,000	6,000,000	-	6,000,000	4,320,000	216,000	4,536,000	8,120,000	(6,656,000)	50,000	2,000,000
Nassr SC for Mechanical Industries	3,000,000	7,000,000	-	7,000,000	4,451,400	222,570	4,673,970	9,201,400	(6,875,370)	150,000	1,000,000
Drugs & Medical Supplies - Sammara	1,500,000	3,000,000	-	3,000,000	4,680,000	234,000	4,914,000	4,980,000	(6,894,000)	100,000	1,000,000
Drugs & Medical Supplies - Ninawa	1,200,000	1,000,000	-	1,000,000	1,710,000	85,500	1,795,500	2,010,000	(2,805,500)	100,000	3,000,000
Dairy Products SC	500,000	-	-	-	2,187,000	109,350	2,296,350	2,187,000	(4,483,350)	100,000	1,000,000
Rubber Industries	500,000	-	-	-	2,161,800	108,090	2,269,890	2,161,800	(4,431,690)	50,000	1,000,000
Industrial Design & Consultation	250,000	1,500,000	-	1,500,000	1,458,000	72,900	1,530,900	2,013,000	(2,043,900)	50,000	1,000,000
Ibn Sena	-	1,000,000	-	1,000,000	1,350,000	8,000	1,358,000	3,479,800	(3,837,800)	50,000	1,000,000
Al Sawari Chemical Industries	150,000	2,500,000	-	2,500,000	1,729,800	86,490	1,816,290	3,479,800	(2,796,090)	75,000	1,000,000
Refractories Company	200,000	2,500,000	-	2,500,000	1,729,800	86,490	1,816,290	3,479,800	(2,796,090)	25,000	1,000,000
Nissan (17)	100,000	-	-	-	1,449,000	72,450	1,521,450	1,449,000	(2,970,450)	25,000	-
Specialized Institute for Engineering Industries	250,000	2,000,000	-	2,000,000	1,458,000	72,900	1,530,900	2,118,000	(1,648,900)	50,000	-
Hand Woven Carpets	100,000	1,500,000	800,000	2,300,000	1,629,000	24,800	1,653,800	1,500,000	(853,800)	50,000	500,000
Furniture Factory	125,000	-	-	-	401,400	47,040	448,440	401,400	(849,840)	25,000	-
Information Systems	250,000	900,000	-	900,000	297,000	14,850	311,850	1,087,000	(498,850)	10,000	-
Iron & Steel	500,000	-	50,000,000	50,000,000	7,574,400	378,720	7,953,120	8,074,400	33,972,480	75,000	-
Nasser Al Adeem	-	13,000,000	-	13,000,000	1,990,800	99,540	2,090,340	9,201,400	1,708,260	50,000	2,000,000
Dog SOEs	32,500,000	145,150,000	50,800,000	195,950,000	#####	7,720,450	181,112,650	423,773,818	(408,936,468)	4,260,000	65,500,000
Al Furat Chemical Industries	1,500,000	3,000,000	-	3,000,000	3,114,000	29,084	3,143,084	4,854,000	(4,997,084)	50,000	2,000,000

Al Faris	1,725,000	1,750,000	-	1,750,000	2,199,600	109,980	2,309,580	5,949,600	(6,509,180)	100,000	1,000,000
Beneficial SOEs	13,725,000	37,250,000	1,500,000	38,750,000	25,761,600	1,355,384	27,116,984	48,651,600	(37,018,584)	650,000	12,000,000
Geological Survey & Mining	1,500,000	5,000,000	-	5,000,000	817,200	40,860	858,060	2,417,200	1,724,740	300,000	1,000,000
General Systems Company	445,000	7,000,000	-	7,000,000	788,400	79,460	867,860	4,543,400	1,588,740	10,000	1,000,000
Iraqi Cement	3,000,000	37,800,000	-	37,800,000	5,940,000	297,000	6,237,000	25,872,000	5,691,000	300,000	4,000,000
Industrial Design & Construction	1,000,000	5,000,000	-	5,000,000	828,000	41,400	869,400	1,188,000	2,942,600	25,000	-
Northern Cement	2,000,000	48,600,000	-	48,600,000	4,140,000	207,000	4,347,000	29,174,000	15,079,000	200,000	7,000,000
Southern Cement	2,600,000	70,200,000	-	70,200,000	9,360,000	212,160	9,572,160	44,448,000	16,179,840	400,000	5,000,000
Mishraq Sulfur	500,000	-	70,000,000	70,000,000	2,318,400	115,920	2,434,320	3,518,400	64,047,280	600,000	2,000,000
Profitable SOEs	11,045,000	173,600,000	70,000,000	243,600,000	24,192,000	993,800	25,185,800	111,161,000	107,253,200	1,835,000	20,000,000
Ministry (Agencies)*	550,000	-	-	-	3,299,400	159,250	3,458,650	15,225,000	(18,683,650)	75,000	-
Minimum Requested by MIM							237,743,484	15,225,000		6,830,000	97,500,000
Minimum Requested Total \$							236,874,084	63,876,600	300,750,684	6,820,000	12,000,000

*
 • GeoSurvey / Trans. to Agency
 • Indus Drip / Status from SOE
 • Irrig + Mangr / (public good/
 no revenue)

Capex	Misc. Cash Expense	Total Cash Flow (Needs)
-	-	(26,249,200)
-	-	(20,146,800)
-	-	(17,837,130)
-	1,750,000	(16,463,218)
-	-	(15,318,880)
-	-	(14,971,200)
-	-	(13,753,380)
-	-	(13,579,500)
-	-	(13,315,010)
-	-	(12,713,180)
-	-	(12,472,840)
-	-	(12,460,620)
-	-	(12,366,120)
-	-	(12,061,830)

- - (11,943,090)

-	-	(11,708,400)
-	-	(11,668,710)
-	-	(11,600,670)
-	-	(11,505,970)
-	-	(11,350,800)
-	-	(11,287,360)
-	-	(10,944,840)
-	-	(10,687,800)
-	-	(10,684,730)
-	-	(10,672,680)
-	-	(10,517,700)
-	-	(10,466,670)
-	-	(10,453,440)

-	-	(10,436,800)
-	-	(10,411,690)
-	-	(10,407,280)
-	-	(10,200,180)
-	-	(10,005,510)
-	-	(9,935,580)

- 750,000 (9,671,230)

-	-	(9,630,540)
-	-	(8,706,000)
-	-	(8,025,370)

- - (7,994,000)

-	-	(5,905,500)
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- - (5,583,350)

-	-	(5,481,690)
-	2,000,000	(5,093,900)

- - (4,887,800)

-	-	(3,871,090)
-	-	(3,821,090)
-	-	(2,995,450)
-	-	(1,698,900)
-	-	(1,403,800)

- - (874,840)

-	-	(508,850)
-	-	33,897,480
-	-	(341,740)
-	4,500,000	(483,196,468)

-	-	(7,047,084)
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-	850,000	(8,459,180)
-	850,000	(50,518,584)
-	-	424,740
-	-	578,740
-	-	1,391,000
-	-	2,917,600
-	-	7,879,000
-	-	10,779,840
-	-	61,447,280
-	-	85,418,200

22,000,000	1,500,000	(42,258,650)
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22,000,000	6,850,000	386,148,484
22,000,000	2,350,000	343,920,684

Industry and Minerals

Summary

	2003 bn NID	2004 bn NID	2005 bn NID	2006 bn NID
Expenditure				
Operating Expenditure	3.3	12.0	9.0	9.0
Capital Projects	0.5	-	1.5	1.5
Total	3.8	12.0	10.5	10.5

Ministry Expenditure

	2003 bn NID	2004 bn NID	2005 bn NID	2006 bn NID
Ministry Capital Projects	0.5	-	1.5	1.5
Staff Expenditures		1.3	1.3	1.3
Service Requirements	1.5	6.1	6.1	6.1
Goods Requirements	1.5	0.2	0.2	0.2
Asset Maintenance	-	0.6	0.6	0.6
Capital Expenditures	0.3	0.9	0.9	0.9
Transferred Expenditures	-	3.0	-	-
Foreign Obligations				
Salaries & Retirement rewards				
Ministry Operating Expenditure	3.3	12.0	9.0	9.0
Total Ministry Expenditure	3.8	12.0	10.5	10.5

Divide by 1500 & you get
2.5 million. the original asset

(b)(6)

this
is the Ministry
HQ Budget

Memorandum Items

# Employees	2003	2004	2005	2006
Tier 1		18	18	18
Tier 2		118	118	118
Tier 3		255	255	255
Tier 4		193	193	193
total number of employees		584	584	584

Total Salary Cost		1.3	1.3	1.3
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Operating Expenses	2003	2004	2005	2006
Normal Ministry Operating Expenses	3.3	9.0	9.0	9.0
Transition Management Assistance	-	3.0	-	-
Sub-total Operating Expenses	3.3	12.0	9.0	9.0

Budget Funded Capital Projects (including reconstruction)

this ministry has no capital projects

Ministry of Industry and Minerals
(US \$)

		Cash Inflows			Requesting Expenses														
State Owned Enterprise	2003 Subsidy	Revenue from 2004 Production	Revenue from Preexisting Inventory	Total Cash Inflows	Salaries	Army Rent Subsidy	Security	Requesting Capex	Outstanding A/P	Requesting Operations	Total Operating Expenses	Capex	Total Cash Flow (Needs)	2004 Salary Subsidy Request	2004 Operational Subsidy Request	2004 Subsidy Request	Salary Delta		
MIM Headquarters	1,480,000				931,500														
Geological Survey	0	0	0	0	1,350,000	1,500,000	25,000	4,000,000	0	2,000,000	5,250,000	4,000,000	(9,250,000)	1,350,000	7,525,000	8,875,000	(7,525,000)		
Mishraq Sulfur	\$500,000	0	70,000,000	70,000,000	2,318,400	0	250,000	0	0	0	3,518,400	22,000,000	44,481,600	1,159,200	250,000	1,409,200	909,200		
Training & Rehabilitation (net transfer)	\$450,000	0	0	0	72,000	0	25,000	0	0	400,000	172,000	0	(172,000)	72,000	425,000	497,000	(425,000)		
General Systems Company	\$445,000	7,000,000	0	7,000,000	788,400	0	10,000	0	1,000,000	0	4,543,400	500,000	1,956,600	0	1,010,000	1,010,000	(221,600)		
Hand Woven Carpets	\$100,000	1,000,000	800,000	1,800,000	1,629,000	0	50,000	0	500,000	0	2,383,000	0	(583,000)	407,250	550,000	957,250	671,750		
Al Furat Chemical Industries	\$1,500,000	3,000,000	0	3,000,000	3,114,000	0	50,000	0	1,000,000	0	4,854,000	3,000,000	(4,854,000)	1,557,000	1,050,000	2,607,000	507,000		
Petrochemical Industries	\$3,000,000	10,000,000	0	10,000,000	6,969,600	0	100,000	0	2,000,000	0	10,344,600	2,200,000	(2,544,600)	3,484,800	2,100,000	5,584,800	1,384,800		
Phosphate	\$5,000,000	6,000,000	1,500,000	7,500,000	5,781,600	0	200,000	0	1,000,000	0	11,206,600	2,400,000	(6,106,600)	2,890,800	1,200,000	4,090,800	1,690,800		
Northern Fertilizer	\$1,000,000	7,500,000	0	7,500,000	2,847,600	0	100,000	0	1,000,000	0	6,697,600	2,000,000	(1,197,600)	1,423,800	1,100,000	2,523,800	323,800		
Southern Fertilizer	\$1,500,000	9,000,000	0	9,000,000	4,849,200	0	100,000	0	1,000,000	0	9,599,200	3,000,000	(3,599,200)	1,212,300	1,100,000	2,312,300	2,536,900		
Northern Cement	\$2,000,000	48,600,000	0	48,600,000	4,140,000	0	200,000	0	7,000,000	0	29,174,000	12,000,000	7,426,000	1,035,000	7,200,000	8,235,000	(4,095,000)		
Iraqi Cement	\$3,000,000	37,800,000	0	37,800,000	5,940,000	0	300,000	0	4,000,000	0	25,872,000	6,000,000	5,928,000	1,485,000	4,300,000	5,785,000	155,000		
Southern Cement	\$2,600,000	70,200,000	0	70,200,000	9,380,000	0	400,000	0	5,000,000	0	44,448,000	15,000,000	10,752,000	2,340,000	5,400,000	7,740,000	1,620,000		
Al Faris	\$1,725,000	1,750,000	0	1,750,000	2,199,600	850,000	100,000	0	1,000,000	0	5,949,600	750,000	(4,949,600)	1,099,800	1,950,000	3,049,800	(850,200)		
Al Qadisia (Dyala) Electrical Industries	\$2,600,000	6,000,000	0	6,000,000	4,069,800	0	100,000	0	2,000,000	0	11,569,800	0	(5,569,800)	3,052,350	2,100,000	5,152,350	(1,082,550)		
Industrial Design & Consultation	\$250,000	1,500,000	0	1,500,000	1,458,000	0	50,000	0	1,000,000	0	2,013,000	0	(513,000)	1,458,000	1,050,000	2,508,000	(1,050,000)		
Ur Engineering Industry	\$2,700,000	10,000,000	0	10,000,000	6,033,600	0	150,000	0	2,000,000	0	16,833,600	1,500,000	(8,333,600)	6,033,600	2,150,000	8,183,600	(2,150,000)		
Geological Survey & Mining	\$1,500,000	5,000,000	0	5,000,000	817,200	0	300,000	0	1,000,000	0	2,417,200	2,500,000	82,800	0	1,300,000	1,300,000	(482,800)		
Nasir SC for Mechanical Industries	\$3,000,000	7,000,000	0	7,000,000	4,451,400	0	150,000	0	1,000,000	0	9,201,400	1,000,000	(3,201,400)	4,451,400	1,150,000	5,601,400	(1,150,000)		
Drugs & Medical Supplies Samarra	\$1,500,000	3,000,000	0	3,000,000	4,680,000	0	100,000	0	1,000,000	0	4,980,000	1,000,000	(2,980,000)	1,170,000	1,100,000	2,270,000	2,410,000		
Drugs & Medical Supplies Ninawa	\$1,200,000	1,000,000	0	1,000,000	1,710,000	0	100,000	0	3,000,000	0	2,010,000	1,000,000	(2,010,000)	427,500	3,100,000	3,527,500	(1,817,500)		
Glass & Ceramics	\$1,150,000	4,000,000	0	4,000,000	4,258,800	0	100,000	0	2,000,000	0	7,058,800	1,000,000	(4,058,800)	2,129,400	2,100,000	4,229,400	29,400		
Information Systems	\$250,000	900,000	0	900,000	297,000	0	10,000	0	0	0	1,087,000	200,000	(387,000)	297,000	10,000	307,000	(10,000)		
Industrial Design & Construction**	\$1,000,000	5,000,000	0	5,000,000	828,000	0	10,000	0	0	0	1,188,000	250,000	3,562,000	0	10,000	10,000	818,000		
Woolen Industries SC	\$2,000,000	3,000,000	0	3,000,000	5,761,800	0	250,000	0	1,000,000	0	6,111,800	0	(3,111,800)	5,761,800	1,250,000	7,011,800	(1,250,000)		
Textile Industries - Hilla	\$1,000,000	3,000,000	0	3,000,000	4,881,600	0	75,000	0	1,000,000	0	7,206,600	0	(4,206,600)	4,881,600	1,075,000	5,956,600	(1,075,000)		

Budget 2004 amendment V19 sheet 1

Survey component less mining component

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State Owned Enterprise	2003 Subsidy	Cash Inflows			Requesting Expenses							Capex	Total Cash Flow (Needs)	2004 Salary Subsidy Request	2004 Operational Subsidy Request	2004 Subsidy Request	Salary Delta	
		Revenue from 2004 Production	Revenue from Preexisting Inventory	Total Cash Inflows	Salaries	Army Rent Subsidy	Security	Requesting Capex	Outstanding A/P	Requesting Operations	Total Operating Expenses							
MIM Headquarters	1,480,000				931,500													
Geological Survey	0	0	0	0	1,350,000	1,500,000	25,000	4,000,000	0	2,000,000	5,250,000	4,000,000	(9,250,000)	1,350,000	7,525,000	8,875,000	(7,525,000)	Survey component less mining component
Mishraq Sulfur	\$500,000	0	70,000,000	70,000,000	2,318,400	0	250,000	0	0	0	3,518,400	22,000,000	44,481,600	1,159,200	250,000	1,409,200	909,200	
Training & Rehabilitation (net transfer)	\$450,000	0	0	0	72,000	0	25,000	0	0	400,000	172,000	0	(172,000)	72,000	425,000	497,000	(425,000)	After transfer staff of 40 remains with MIM
General Systems Company	\$445,000	7,000,000	0	7,000,000	788,400	0	10,000	0	1,000,000	0	4,543,400	500,000	1,956,600	0	1,010,000	1,010,000	(221,600)	
Hand Woven Carpets	\$100,000	1,000,000	800,000	1,800,000	1,629,000	0	50,000	0	500,000	0	2,383,000	0	(583,000)	407,250	550,000	957,250	671,750	
Al Furat Chemical Industries	\$1,500,000	3,000,000	0	3,000,000	3,114,000	0	50,000	0	1,000,000	0	4,854,000	3,000,000	(4,854,000)	1,557,000	1,050,000	2,607,000	507,000	
Petrochemical Industries	\$3,000,000	10,000,000	0	10,000,000	6,969,600	0	100,000	0	2,000,000	0	10,344,600	2,200,000	(2,544,600)	3,484,800	2,100,000	5,584,800	1,384,800	
Phosphate	\$5,000,000	6,000,000	1,500,000	7,500,000	5,781,600	0	200,000	0	1,000,000	0	11,206,600	2,400,000	(6,106,600)	2,890,800	1,200,000	4,090,800	1,690,800	
Northern Fertilizer	\$1,000,000	7,500,000	0	7,500,000	2,847,600	0	100,000	0	1,000,000	0	6,697,600	2,000,000	(1,197,600)	1,423,800	1,100,000	2,523,800	323,800	
Southern Fertilizer	\$1,500,000	9,000,000	0	9,000,000	4,849,200	0	100,000	0	1,000,000	0	9,599,200	3,000,000	(3,599,200)	1,212,300	1,100,000	2,312,300	2,536,900	
Northern Cement	\$2,000,000	48,600,000	0	48,600,000	4,140,000	0	200,000	0	7,000,000	0	29,174,000	12,000,000	7,426,000	1,035,000	7,200,000	8,235,000	(4,095,000)	
Iraqi Cement	\$3,000,000	37,800,000	0	37,800,000	5,940,000	0	300,000	0	4,000,000	0	25,872,000	6,000,000	5,928,000	1,485,000	4,300,000	5,785,000	155,000	
Southern Cement	\$2,600,000	70,200,000	0	70,200,000	9,360,000	0	400,000	0	5,000,000	0	44,448,000	15,000,000	10,752,000	2,340,000	5,400,000	7,740,000	1,620,000	
Al Faris	\$1,725,000	1,750,000	0	1,750,000	2,199,600	850,000	100,000	0	1,000,000	0	5,949,600	750,000	(4,949,600)	1,099,800	1,950,000	3,049,800	(850,200)	
Al Qadesia (Dyala) Electrical Industries	\$2,600,000	6,000,000	0	6,000,000	4,069,800	0	100,000	0	2,000,000	0	11,569,800	0	(5,569,800)	3,052,350	2,100,000	5,152,350	(1,082,550)	
Industrial Design & Consultation	\$250,000	1,500,000	0	1,500,000	1,458,000	0	50,000	0	1,000,000	0	2,013,000	0	(513,000)	1,458,000	1,050,000	2,508,000	(1,050,000)	
Ur Engineering Industry	\$2,700,000	10,000,000	0	10,000,000	6,033,600	0	150,000	0	2,000,000	0	16,833,600	1,500,000	(8,333,600)	6,033,600	2,150,000	8,183,600	(2,150,000)	
Geological Survey & Mining	\$1,500,000	5,000,000	0	5,000,000	817,200	0	300,000	0	1,000,000	0	2,417,200	2,500,000	82,800	0	1,300,000	1,300,000	(482,800)	Mining activity minus survey activity
Nassr SC for Mechanical Industries	\$3,000,000	7,000,000	0	7,000,000	4,451,400	0	150,000	0	1,000,000	0	9,201,400	1,000,000	(3,201,400)	4,451,400	1,150,000	5,601,400	(1,150,000)	
Drugs & Medical Supplies Sammara	\$1,500,000	3,000,000	0	3,000,000	4,680,000	0	100,000	0	1,000,000	0	4,980,000	1,000,000	(2,980,000)	1,170,000	1,100,000	2,270,000	2,410,000	
Drugs & Medical Supplies Ninawa	\$1,200,000	1,000,000	0	1,000,000	1,710,000	0	100,000	0	3,000,000	0	2,910,000	1,000,000	(2,010,000)	427,500	3,100,000	3,527,500	(1,817,500)	
Glass & Ceramics	\$1,150,000	4,000,000	0	4,000,000	4,258,800	0	100,000	0	2,000,000	0	7,058,800	1,000,000	(4,058,800)	2,129,400	2,100,000	4,229,400	29,400	
Information Systems	\$250,000	900,000	0	900,000	297,000	0	10,000	0	0	0	1,087,000	200,000	(387,000)	297,000	10,000	307,000	(10,000)	
Industrial Design & Construction**	\$1,000,000	5,000,000	0	5,000,000	828,000	0	10,000	0	0	0	1,188,000	250,000	3,562,000	0	10,000	10,000	818,000	Transfer from MIM
Woolen Industries SC	\$2,000,000	3,000,000	0	3,000,000	5,761,800	0	250,000	0	1,000,000	0	6,111,800	0	(3,111,800)	5,761,800	1,250,000	7,011,800	(1,250,000)	
Textile Industries - Hilla	\$1,000,000	3,000,000	0	3,000,000	4,881,600	0	75,000	0	1,000,000	0	7,206,600	0	(4,206,600)	4,881,600	1,075,000	5,956,600	(1,075,000)	

State Owned Enterprise	2003 Subsidy	Cash Inflows			Requesting Expenses							Capex	Total Cash Flow (Needs)	2004 Salary Subsidy Request	2004 Operational Subsidy Request	2004 Subsidy Request	Salary Delta
		Revenue from 2004 Production	Revenue from Preexisting Inventory	Total Cash Inflows	Salaries	Army Rent Subsidy	Security	Requesting Capex	Outstanding A/P	Requesting Operations	Total Operating Expenses						
Vegetable Oils Industry	\$2,000,000	5,000,000	0	5,000,000	6,798,600		300,000	0	3,000,000	0	12,398,600	0	(7,398,600)	5,098,950	3,300,000	8,398,950	(1,600,350)
Leather Industries	\$1,000,000	3,500,000	0	3,500,000	5,079,600		200,000	0	2,000,000	0	8,679,600	0	(5,179,600)	5,079,600	2,200,000	7,279,600	(2,200,000)
Battery Industries SC	\$1,000,000	1,500,000	0	1,500,000	3,472,200		150,000	0	2,000,000	0	7,222,200	0	(5,722,200)	868,050	2,150,000	3,018,050	454,150
Mechanical Industries	\$1,200,000	8,000,000	0	8,000,000	6,969,600		100,000	0	4,000,000	0	22,919,600	0	(14,919,600)	6,969,600	4,100,000	11,069,600	(4,100,000)
Cotton Industries SC	\$1,000,000	8,500,000	0	8,500,000	12,096,000		100,000	0	3,000,000	0	12,846,000	0	(4,346,000)	12,096,000	3,100,000	15,196,000	(3,100,000)
Ready Made Wear Industries	\$1,000,000	2,500,000	0	2,500,000	5,812,200		75,000	0	1,000,000	0	8,637,200	0	(6,137,200)	5,812,200	1,075,000	6,887,200	(1,075,000)
Tobacco & Cigarettes	\$2,500,000	11,250,000	0	11,250,000	4,042,800	1,750,000	75,000	0	4,000,000	0	17,774,618	1,000,000	(7,524,618)	2,021,400	5,825,000	7,846,400	(3,803,600)
Iron & Steel	\$500,000	0	50,000,000	50,000,000	7,574,400		75,000	0	0	0	8,074,400	20,000,000	21,925,600	7,574,400	75,000	7,649,400	(75,000)
Electrical Industries SC	\$2,500,000	7,000,000	0	7,000,000	5,684,400		100,000	0	2,000,000	0	9,604,400	0	(2,604,400)	4,263,300	2,100,000	6,363,300	(678,900)
Tires Industries - Najaf	\$500,000	6,000,000	0	6,000,000	4,320,000		50,000	0	2,000,000	0	8,120,000	1,500,000	(3,620,000)	1,080,000	2,050,000	3,130,000	1,190,000
Wasit Textile	\$250,000	6,000,000	0	6,000,000	5,970,600		50,000	0	1,000,000	0	9,365,600	0	(3,365,600)	5,970,600	1,050,000	7,020,600	(1,050,000)
Construction Industries	\$500,000	3,000,000	0	3,000,000	5,783,400		150,000	0	0	0	8,283,400	1,000,000	(6,283,400)	5,783,400	150,000	5,933,400	(150,000)
Al Sawari Chemical Industries	\$150,000	2,500,000		2,500,000	1,729,800		75,000	0	1,000,000	0	3,479,800	0	(979,800)	1,297,350	1,075,000	2,372,350	(642,550)
Paper Industry	\$250,000				5,675,400		75,000	0	1,000,000	0	5,675,400	0	(5,675,400)	5,675,400	1,075,000	6,750,400	(1,075,000)
Rubber Industries	\$500,000				2,161,800		50,000	0	1,000,000	0	2,161,800	0	(2,161,800)	2,161,800	1,050,000	3,211,800	(1,050,000)
Industrial Promotion	\$100,000	0	0	0	338,400		25,000	13,000,000	0	6,000,000	7,000,000	13,000,000	(20,000,000)	338,400	19,025,000	19,363,400	(19,025,000)
Sugar Industry	\$500,000	3,000,000	0	3,000,000	864,000		200,000	0	1,000,000	0	15,864,000	0	(12,864,000)	864,000	1,200,000	2,064,000	(1,200,000)
Furniture Factory	\$125,000				401,400		25,000	0	0	0	401,400	0	(401,400)	401,400	25,000	426,400	(25,000)
Dairy Products SC	\$500,000				2,187,000		100,000	0	1,000,000	0	2,187,000	0	(2,187,000)	2,187,000	1,100,000	3,287,000	(1,100,000)
Nissan (17)	\$100,000	0	0	0	1,449,000		25,000	0	0	0	1,449,000	0	(1,449,000)	1,449,000	25,000	1,474,000	(25,000)
Car Manufacturing (Vehicle Industries)	\$225,000	0	0	0	3,900,600	750,000	75,000	0	0	0	4,750,600	0	(4,750,600)	3,900,600	825,000	4,725,600	(825,000)
Refractories Company	\$200,000	2,500,000	0	2,500,000	1,729,800		25,000	0	1,000,000	0	3,479,800	0	(979,800)	1,729,800	1,025,000	2,754,800	(1,025,000)
Nasser Al Adeem	0	13,000,000	0	13,000,000	1,990,800		50,000	0	2,000,000	0	9,201,400	0	3,798,600	995,400	2,050,000	3,045,400	(1,054,600)
Ibn Sena	0	1,000,000		1,000,000	1,350,000		50,000	0	1,000,000	0	3,479,800	0	(2,479,800)	1,350,000	1,050,000	2,400,000	(1,050,000)
Al Zawra	0	1,000,000		1,000,000	1,555,200		50,000	0	1,000,000	0	9,604,400	0	(8,604,400)	1,555,200	1,050,000	2,605,200	(1,050,000)
Al Samood	0	1,000,000		1,000,000	2,676,600		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	2,676,600	1,050,000	3,726,600	(1,050,000)
Al Kharzen Center	0	1,000,000		1,000,000	651,600		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	325,800	1,050,000	1,375,800	(724,200)
Al Shaheed	0	1,000,000		1,000,000	2,340,000		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	2,340,000	1,050,000	3,390,000	(1,050,000)
Tareq	0	1,000,000		1,000,000	1,612,800		50,000	0	1,000,000	0	9,201,400	0	(8,201,400)	1,612,800	1,050,000	2,662,800	(1,050,000)

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(b)(6)

From: (b)(6)
Sent: Sunday, February 08, 2004 3:12 PM
To: Bent, Rodney (SES-4); (b)(6)
Cc: (b)(6)
 Fleischer, Michael (SES-2)
Subject: 04 SOE Budget
Importance: High
Sensitivity: Confidential

Hi (b)(6)

Our office was scheduled to sit with your office to review the 04 budget for SOEs. Andrew has been collecting updated 04 SOE budget data. I've been ordered to return to my unit early so I will not be able to participate in this meeting. Overall, our office would like to propose the following to help frame the discussion on the 04 SOE budget:

- 04 salaries subsidies to SOEs should continue to include contract workers in order to promote social stability
- Salary subsidies should not be booked by the SOEs as Revenue (as stipulated on the SOE Budget Decree posted on the intranet). Subsidies should be booked as liabilities to the MoFinance. This will take us one step closer to having the SOEs act like corporate entities instead of state costs centers
- Our office is currently working with OGC on a CPA Order to reclassify and transfer certain SOEs. This order allows restructuring to include reclassifying SOEs that are really state agencies. Examples include building inspection, trade fair promotion and vocational schools. The SOEs that will be reclassified will need operating budgets
- The dissolution of the Military Industry Commission (MIC) SOEs is of high and critical importance. We need to assure that this ministry can not be easily re-created after the change of sovereignty. We are working with OGC on a CPA Order to address the MICs. Our office may request some funding to cover costs associated with the transfer of MIC SOE employees and assets to other SOEs and ministries
- Overall, we strongly discourage additional subsidies to the SOEs. There is an opportunity cost for Iraq where these subsidies could be better deployed on promoting the private sector or improving Iraq's infrastructure. This is particularly true for the SOEs that are in sectors with low barriers to entry such as dairy farming, retail and textiles. These SOEs should be left to stand on their own in a new open economy. But for certain SOEs in critical sectors such as cement, fertilizer and petrochemicals, our office may support some subsidies to assist select SOEs to get back to normal operations. The \$27MM Letter of Credit backstopping the 330MW IPP is one example. The attached request for subsidies to Fallujah and Al Qaim Cement is another example
- To allow the few cash flow positive SOEs to build cash reserves in order to fund capital expenditure we support relaxing the decree requiring 95% of SOE profits to be immediately returned to the MOF
- On this related point, we encourage the ministries and SOE DGs to develop a compensation plan that rewards performance – on the individual and SOE level. Allowing the few profitable SOEs to keep some of their free cash flow can fund employee incentive programs
- As a response to the resistance in privatizing which would bring in foreign capital, technology and management skills, our office may develop short SOE management training programs to cover: budgeting, modern accounting, governance, marketing and labor law. We may seek funding from the 04 budget to pay for this program

2/8/2004

Thanks

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Private Sector Development Group
Coalition Provisional Authority

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2/8/2004

Industry and Minerals

Foreign Language

Summary

	2004 mn ID
Expenditure	
Operating Expenditure	12,904
Capital Projects	0
Total	12,904

Ministry Expenditure

	2004 mn ID
<i>Ministry Capital Projects</i>	0
Staff Expenditures	2,179
Service Requirements	6,075
Goods Requirements	150
Asset Maintenance	600
Capital Expenditures	900
Transferred Expenditures	3,000
Foreign Obligations	
Salaries & Retirement rewards	
<i>Ministry Operating Expenditure</i>	12,904
Total Ministry Expenditure	12,904

Memorandum Items

Employees

	2004
Total Employees	584
Total Salary Cost	2,179

Operating Expenses

	2004
Normal Ministry Operating Expenses	9,904
Transition Management Assistance	3,000
<i>Sub-total Operating Expenses</i>	<i>12,904</i>

Budget Funded Capital Projects (including reconstruction)

	2004
<i>this ministry has no capital projects</i>	

Foreign Language

Industry and Minerals

Summary

	2003 bn NID	2004 bn NID	2005 bn NID	2006 bn NID
Expenditure				
Operating Expenditure	3.3	12.9	9.9	9.9
Capital Projects	0.5	-	1.5	1.5
Total	3.8	12.9	11.4	11.4

Ministry Expenditure

	2003 bn NID	2004 bn NID	2005 bn NID	2006 bn NID
<i>Ministry Capital Projects</i>	0.5	-	1.5	1.5
Staff Expenditures		2.2	2.2	2.2
Service Requirements	1.5	6.1	6.1	6.1
Goods Requirements	1.5	0.2	0.2	0.2
Asset Maintenance	-	0.6	0.6	0.6
Capital Expenditures	0.3	0.9	0.9	0.9
Transferred Expenditures	-	3.0	-	-
Foreign Obligations				
Salaries & Retirement rewards				
<i>Ministry Operating Expenditure</i>	3.3	12.9	9.9	9.9
Total Ministry Expenditure	3.8	12.9	11.4	11.4

Memorandum Items

Employees

	2003	2004	2005	2006
Tier 1				
Tier 2				
Tier 3				
Tier 4				
total number of employees				

Total Salary Cost

2.2	2.2	2.2
-----	-----	-----

Operating Expenses

	2003	2004	2005	2006
Normal Ministry Operating Expenses	3.3	9.9	9.9	9.9
Transition Management Assistance	-	3.0	-	-
Sub-total Operating Expenses	3.3	12.9	9.9	9.9

Budget Funded Capital Projects (including reconstruction)

this ministry has no capital projects

**Iraq 2004 Ministry Budgets Updated Estimate
(December Based +40%)**

2004 Ministry Budgets (Millions \$USD)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2004 Total
Ministry of Industry and Minerals	0.70	0.70	0.70	0.70	0.70	0.70	1.70	0.70	0.70	1.70	0.70	0.70	16.37
Salaries	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	1.46
FPS Salaries	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	1.77
Operating Expenses (excluding salaries)	0.43	0.43	0.43	0.43	0.43	0.43	1.43	0.43	0.43	1.43	0.43	0.43	7.15
Transition Management Assistance							1.00			1.00			2.00
Capital Projects	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Minister?
Pay Scale?

May	June	July	August	September	October	November
0.70	0.70	1.70	0.70	0.70	1.70	0.70
0.12	0.12	0.12	0.12	0.12	0.12	0.12
0.15	0.15	0.15	0.15	0.15	0.15	0.15
0.43	0.43	1.43	0.43	0.43	1.43	0.43
		1.00			1.00	
0.00	0.00	0.00	0.00	0.00	0.00	0.00

December	Totals
----------	--------

0.70	10.37
------	-------

0.12	1.45
------	------

0.15	1.77
------	------

0.43	7.15
------	------

	2.00
--	------

0.00	0.00
------	------

(Millions USD) \$1=1500ID	January	February	March	April
Ministry of Industry and Minerals	0.70	0.70	0.70	0.70
Salaries	0.12	0.12	0.12	0.12
FPS Salaries	0.15	0.15	0.15	0.15
Operating Expenses (excluding salaries)	0.43	0.43	0.43	0.43
Transition Management Assistance				
Capital Projects	0.00	0.00	0.00	0.00



COALITION PROVISIONAL AUTHORITY
BAGHDAD

INFO MEMO

February 5, 2004

FOR: THE ADMINISTRATOR

FROM: Foreign Director Civil Affairs

CC: Ambassador Jones, (b)(6)

SUBJECT: **Establishing Inspector General Offices – Progress Report**

We thought that it would be helpful to bring forward this week's weekly progress report (and in future to report progress on Thursday evenings rather than Saturday).

Changes since the last report are shown in green on the attached chart.

Background checks are now being conducted on the nominees of eight ministries (now including Culture, Housing & Construction and Interior). We hope that some background checks will soon be completed successfully, enabling you to make the first IG appointments.

While there has been notable progress by several ministries, others are continuing to experience real difficulties. Half the ministries have not yet identified an agreed IG nominee.

There are various causes. The earlier reported nominee for Higher Education has withdrawn. The planned Water Resources nominee has now been nominated by another ministry. The position in Science and Technology continues to be under review (delayed by Eid). Finance and Planning have problems in engaging their ministers.

Some ministries are still finding it difficult to identify qualified candidates. We have asked all senior advisors and some others – including the Board of Supreme Audit, whose Acting President is keen to help – to supply details of suitably qualified and willing candidates, including people recently retired or returned from abroad.

It is desirable that ministers should, in consultation with the senior advisor, engage with this process by making their own nominations. However, some ministers appear to be reluctant to commit themselves. We have now deleted from the draft Order any legal requirement for a nomination to be made by the relevant minister (now or post-CPA). This means you have full discretion about whom you consult in making the appointment. This additional flexibility means that we can, if necessary, make a selection on behalf of a minister and it may also help to speed up the final round of correspondence.

We shall send you a further brief for the meeting with Ministers next Monday.

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BAGHDAD

In conclusion, you may want to note two related points:

- A Governing Council announcement on the Commission on Public Integrity is now set for Saturday.
- We are consulting the Acting President of the Board of Supreme Audit about the draft Order that is designed to strengthen the Board. Foreign Language will be meeting him again next Monday morning and have suggested that, since IGs will be on the agenda, you might appropriately invite him to the meeting with Ministers. We shall check this with your office separately.

ATTACHMENTS: Establishing Inspector General Offices – Progress Chart and Notes

CO-ORDINATION: Foreign Language
General
Senior Advisors

UNCLASSIFIED

Establishing Inspector General Offices - Progress Chart 3 5/2/04

Ministry	Expected operational by Feb. 28 ¹	(1) IG organization planned ²	(2) Nominee selected ³	(3) Professional qualifications reviewed ⁴	(4) CPA checks completed ⁵	(5) Ministerial letter to Administrator ⁶	(6) Administrator writes to make appointment ⁷
Agriculture	✓	✓					
Communications	✓	✓					
Culture	✓	✓	✓	✓			
Displacement & Migration	April ⁸						
Education	✓	✓					
Electricity	✓	✓					
Environment	✓	✓	✓				
Finance	✓						
Foreign Affairs	✓	✓					
Health	✓	✓	✓				
Higher Education	✓	✓					
Housing & Construction	✓	✓	✓	✓			
Human Rights	✓	✓	✓	✓			
Industry & Minerals	✓	✓					
Interior	✓	✓	✓	✓			
Justice	March 5						
Labor & Social Affairs	✓	✓	✓	✓			
Municipalities & Public Works	✓	✓	✓	✓			
National Defense	April ⁹	✓					
Oil	✓	✓	✓	✓		✓	
Planning & Development Cooperation	✓						
Science & Technology	Under review						
Trade	✓	✓	✓				
Transportation	✓	✓	✓	✓			
Water Resources	✓	✓					
Youth & Sports	✓	✓					

Notes

1. Senior Advisor expects IG to be fully operational by February 28.
2. Senior Advisor is satisfied, consulting CPA Inspector General (Robert Dawes) as necessary, that ministry has a plan that will deliver an IG organization in accordance with the Administrator's memo of 20 December.
3. Senior Advisor has been satisfied that a suitable person is to be nominated on the basis of merit to fill the IG appointment.
4. Senior Advisor has confirmed, in parallel, with Robert Dawes, on the basis of a resume, that nominee is appropriately qualified.
5. OPPA (David Kirk) has confirmed with Senior Advisor and Robert Dawes that process has been duly completed and background check on nominee has been successfully completed.
6. Minister has made recommendation to Administrator, including a copy of nominee's resume and any other justification required.
7. Administrator, advised by OPPA, has written standardized letter to Minister to appoint the nominee (date).
8. Agreed with Administrator.
9. Ministry not yet operational.

The chart will be updated and resubmitted to the Administrator/ Executive Board every Thursday. To keep it up-to-date, any changes to the entries in the first four columns should be notified, as soon as known, by Senior Advisors to David Kirk, copy to Robert Dawes. Entries in the final three columns will be completed by OPPA.

SALARY POLICY FOR INSTECTIONS GENERAL
SENIOR ADVISOR'S MEETING
WEDNESDAY, APRIL 7, 2004

- Every Iraqi ministry will have an independent Inspector General (IG), authorized to investigate allegations against anyone in the Ministry. Where evidence of crimes is found, the IG will be able to refer cases to Iraq's independent judiciary.
- Inspectors General are to begin their service compensated at a level equivalent to Directors General, unless the individual selected for an IG position is currently being compensated at a level above that of a DG. This is to ensure that qualified and experienced candidates do not have to make monetary sacrifices in order to serve in this important position.
- In order to mitigate conflicts of interest regarding salary reviews for IGs, this policy requires the CPI and the BSA concur with a minister's decision to increase the pay of a ministry's IG.
- The policy sets a floor of five employees for an IG office, but remains flexible for the overall size of the office, depending upon the complexities of the transactions that the office must review and the type of business in which the ministry engages.
- The policy encourages hiring of persons already employed in government (although not from the Ministry in question), and requires relevant training to be arranged for underemployed or underutilized government employees to be retrained.



COALITION PROVISIONAL AUTHORITY
BAGHDAD

DRAFT
ACTION MEMO

April 1, 2004

FOR: CPA Senior Advisors
FROM: CPA Ministry of Finance/ COMPENSATION TEAM
SUBJECT: Rank, pay rate, and staff support for inspectors general

Policy Statement

Rank and Pay Rate. Inspectors General will be paid beginning at step 3 of the Super "B" level of the 11-tier pay scale, as established by CPA Order Number 30. IGs will be subject to the same compensation limitations as Director Generals. If the individual appointed as the IG is a current government employee being compensated at a level above step 3 of the Super B pay band, the individual will retain his or her current salary level. IGs are to be eligible for raises in pay. Ministers are to submit a statement regarding the decision to award an IG a raise in pay to the Council on Public Integrity (CPI) and the Board of Supreme Audit (BSA) for their review and concurrence. The CPI and the BSA must concur with that decision for the increase in pay for an IG to take effect.

Staff support. The Inspector General staff at each ministry will normally consist of a Chief of Staff who can deputize for the IG on occasion and professional and administrative staff appropriate for the given Ministry. Professional staff should cover the areas of investigation, audit, inspection, and ethical training for ministry staff. A core staff of not less than five should be hired by each IG office. Additional employees will be hired commensurate with the responsibilities of the office. For example, agencies with larger responsibilities in the areas of procurement, management, and financial transactions will require larger staffs.

Staff in the IG office will be paid according to the 11-tier pay scale established by CPA Order Number 30. Incremental funding will be provided centrally to cover the salary of the IG in each Ministry. Salaries and operating costs for the staff of the IG office will be funded by the relevant Ministry. Each IG will prepare and submit a spending plan for the office to the relevant Minister. The Minister will include this spending plan in the ministry's annual budget request. When possible and appropriate, ministries should hire persons from within the government. In order to encourage improved performance, each Ministry must ensure relevant training in audit and investigative techniques for new and ongoing staff is scheduled and conducted.

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DRAFT

Key Points

Inspectors General are to begin their service compensated at a level equivalent to Directors Generals, unless the individual selected for an IG position is currently being compensated at a level above that of a DG. This is to ensure that qualified and experienced candidates do not have to make monetary sacrifices in order to serve in this important position.

In order to mitigate conflicts of interest regarding salary reviews for IGs, this policy requires the CPI and the BSA concur with a minister's decision to increase the pay of a ministry's IG.

The policy sets a floor of five employees for an IG office, but remains flexible for the overall size of the office, depending upon the complexities of the transactions that the office must review and the type of business in which the ministry engages.

The policy encourages hiring of persons already employed in government (although not from the Ministry in question), and requires relevant training to be arranged for underemployed or underutilized government employees to be retrained.

RECOMMENDATION (1): Approve the above statement regarding the rank, pay, and staff level for the position of Inspector General and staff support for the offices of the inspectors general.

Approve: _____

Disapprove: _____

Approve with modification: _____

ATTACHMENTS: NONE

COORDINATION: (b)(6)

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**ORDER NUMBER 30
ANNEX A**

**REFORM OF SALARIES AND EMPLOYMENT CONDITIONS OF STATE
EMPLOYEES**

Salary Table

Monthly Salary Amounts in Thousands of Iraqi Dinars (000)

Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10
SUPER A	2250	2233	2316	2400	2483	2566	2650	2733	2817	3000
SUPER B	1500	1583	1666	1750	1833	1916	1999	2083	2166	2249
1	740	760	780	800	820	840	860	880	900	920
2	574	589	605	620	636	651	667	682	698	713
3	444	456	468	480	492	504	516	528	540	552
4	342	352	361	370	379	389	398	407	416	426
5	264	271	278	285	292	299	306	314	321	328
6	204	209	215	220	226	231	237	242	248	253
7	157	162	166	170	174	179	183	187	191	196
8	125	128	132	135	138	142	145	149	152	155
9	102	105	107	110	113	116	118	121	124	127
10	83	86	88	90	92	95	97	99	101	104
11	69	71	73	75	77	79	81	83	84	86



Inspector General System

1. Introduction

2. CPA IG

3. Iraqi IG Functions

type + size of car to ensure fair + accurate ministry operations. Anti Corruption.

4. CPA Hotline & Iraqi Hotline

5. Ministry IG Seminar
1 April Convention Center
8:30 – 15:30

Get Poulos

6. IG business on Tuesday's
Ministry Meeting

3/27/04

CPA Senior Advisors:

Re: CPA IG and Ministry IG Training

The CPA Office of Inspector General (CPA IG) has recently been stood up within the CPA, with forward elements headquartered in Room M 106 and rear Support Elements located in Building 2800, Crystal City, Arlington VA. To date, Inspectors General have been approved/appointed in 18 of the 25 Ministries. CPA IG is working with the other CPA Offices, Ministers, and their Advisors in reviewing nominees for the remaining Ministry IG positions.

The function and duties of Inspectors General are not universally understood. However, anti-corruption is at the heart of a large part of what IGs do. An Inspector General acts as an extension of the eyes, ears, and conscience of their Commander/Ministry Head to fight and reduce fraud, waste and abuse of power.

→ The IG system is a governing mechanism to further efficient, effective, and "principled governance" in democratic rule. The IG is accountable to their respective Minister to ensure that complaints and allegations of corrupt practices are "independently and objectively" investigated and that the results of that work is presented to the Minister for consideration of any appropriate follow-on action.

One of the feedback mechanisms to help the Ministry IGs perform their duties more effectively will be an **anonymous IG Hotline**. The Hotline is where individuals can call to report/e-mail or write too, on matters they consider inappropriate, criminal, or otherwise corrupt. The Hotline acts as a feedback loop where complaints are screened and forwarded to the appropriate ministry IGs for their assessment and potential investigation. The complaints are then monitored so that actions are recorded and reported. The CPA IG is working to activate that Iraqi Hotline mechanism in early April. In addition to this new Iraqi hotline, the CPA intranet website is now linked to the already existing DoD IG Hotline. When complaints/allegations of corruption are reported through the DoD Hotline, CPA IG Rear will have both English and Arabic Hotline operators to receive, assess, and manage those complaints. Depending on the nature of the complaint, it may be forwarded to CPA IG Forward for review, or portions of the investigation may be conducted in the US, if that is found appropriate.

CPA IG has developed several module training programs designed to provide a solid orientation to newly assigned Iraqi IGs, their Ministers, as well as their staff and subordinate managers, as to what IG do, by what authority they exist and what "value added" they provide the Ministers. This training is a strong compliment to ethics/anti-corruption/good governance training already conducted by many of the Ministries in the last few months.

(b)(6)

Director, Inspections and IG Training
CPA IG



COALITION PROVISIONAL AUTHORITY
BAGHDAD

MAR 23 2004

Eng. Mohamad Tofiq Rahim
Minister of Industry and Minerals

Dear Mr. Minister:

I am writing to tell you that I have decided to appoint Mr. Salem Poulos Ibrahim as the new Inspector General of the Ministry of Industry and Minerals.

I enclose a letter of appointment, together with copies of Order No.57 in Arabic and English. I should be grateful if you could now arrange for these documents to be passed to Mr. Ibrahim as soon as possible.

This appointment follows up discussion that you have had with our advisors. Could you please now give effect to the appointment without delay, by ensuring that Mr. Ibrahim's employment as Inspector General is properly documented. The term of the appointment is five years.

I know that you will give full support to the new Inspector General in establishing his office, in accordance with CPA Order No. 57. Officials here will be in touch separately about the arrangement of some initial training for the first Iraqi Inspectors General to be appointed.

Sincerely,

L. Paul Bremer III
Administrator

Enclosure: Letter to Mr. Ibrahim, enclosing CPA Order No. 57 in Arabic and English.



COALITION PROVISIONAL AUTHORITY
BAGHDAD

MAR 23 2004

Mr Salem Poulos Ibrahim

Dear Mr Ibrahim:

Pursuant to my authority as Administrator and under the laws and usages of war, and consistent with relevant U.N. Security Council resolutions, including Resolutions 1483 and 1511 (2003) and CPA Order No. 57, I hereby appoint you as Inspector General of the Ministry of Industry and Minerals.

I have asked the Minister of Industry and Minerals to arrange for this letter to be passed to you and to make early arrangements for your appointment to be documented. The term of the appointment is five years.

I am enclosing with this letter copies of CPA Order No. 57 in Arabic and English. Officials here will be in touch separately about the arrangement of some initial training.

Please accept my warm congratulations on this appointment and my best wishes for your success in meeting the challenges of this important position.

Sincerely,

L. Paul Bremer III
Administrator

Cc: Minister of Industry and Minerals

Enclosures: CPA Order No. 57 in Arabic and English.



COALITION PROVISIONAL AUTHORITY

BAGHDAD

DRAFT

ACTION MEMO

*Don't want staff
from w/o same Ministry
swap w/ another*

April 1, 2004

FOR: CPA Senior Advisors

FROM: CPA Ministry of Finance/ COMPENSATION TEAM

SUBJECT: Rank, pay rate, and staff support for inspectors general

(b)(6)

Policy Statement

Rank and Pay Rate. Inspectors General will be paid beginning at step 3 of the Super "B" level of the 11-tier pay scale, as established by CPA Order Number 30. IGs will be subject to the same compensation limitations as Director Generals. If the individual appointed as the IG is a current government employee being compensated at a level above step 3 of the Super B pay band, the individual will retain his or her current salary level. IGs are to be eligible for raises in pay. Ministers are to submit a statement regarding the decision to award an IG a raise in pay to the Council on Public Integrity (CPI) and the Board of Supreme Audit (BoSA) for their review and concurrence. The CPI and the BoSA must concur with that decision for the increase in pay for an IG to take effect.

Staff support. The Inspector General staff at each ministry will normally consist of a Chief of Staff who can deputize for the IG on occasion and professional and administrative staff appropriate for the given Ministry. Professional staff should cover the areas of investigation, audit, inspection, and ethical training for ministry staff. A core staff of not less than five should be hired by each IG office. Additional employees will be hired commensurate with the responsibilities of the office. For example, agencies with larger responsibilities in the areas of procurement, management, and financial transactions will require larger staffs.

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DRAFT

Key Points

Inspectors General are to begin their service compensated at a level equivalent to Directors General, unless the individual selected for an IG position is currently being compensated at a level above that of a DG. This is to ensure that qualified and experienced candidates do not have to make monetary sacrifices in order to serve in this important position.

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The policy encourages hiring of persons already employed in government (although not from the Ministry in question), and requires relevant training to be arranged for underemployed or underutilized government employees to be retrained.

RECOMMENDATION (1): Approve the above statement regarding the rank, pay, and staff level for the position of Inspector General and staff support for the offices of the inspectors general.

Approve: _____ Disapprove: _____ Approve with modification: _____

ATTACHMENTS: NONE

COORDINATION: (b)(6)

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Foreign Language

Inspector General Milestones

Foreign Language

1. 2005 OIG budgets to Ministers by May 2004

Foreign Language

2. Iraqi Anti-Corruption Task Force formed 1 June 2004 (includes CPI, BSA, IGs, MoE)

Foreign Language

Foreign Language

3. OIGs build staff to at least 33% - operational by 1 July 2004

Foreign Language

Foreign Language

Foreign Language

4. OIG staffs trained in IG business July-August of 2004

Foreign Language

5. SOW for Academy completed by Task force by August 2004

Foreign Language

6. Contract awarded to develop Academy by October 2004

Foreign Language

Foreign Language

7. OIG staff at least 50% by December 2004

Foreign Language

Foreign Language

8. IGIG, CPI, BSA Academy courses tested Feb-June 2005

Foreign Language

Foreign Language

9. Academy facility and Curricula operational by August 2005

Foreign Language

10. OIGs 95% staffed and fully functional and trained by December of 2005

4/17/2004

(b)(6)

From: (b)(6)
Sent: Sunday, July 04, 2004 5:49 PM
To: (b)(6)
Subject: RE: Assassination

(b)(6) What a terrible disaster! I forwarded your message to DCM Jeffrey with a recommendation that the Embassy work with the IIG to honor al-Ghazi, compensate his family and appoint a successor quickly. I don't really know what Bremer would have done in this situation beyond making a public statement and maybe writing a condolence letter and attending a memorial service. I never heard that he made personal condolence calls on the family in such cases, but I may just be uninformed. Pat Kennedy may know better. I believe that families of officials who are killed in the line of duty are entitled to some compensation from the government, but I doubt that it is very much at all. I also doubt that the Embassy would have any funds for paying compensation. DJ

-----Original Message-----

From: (b)(6)
Sent: Saturday, July 03, 2004 8:26 PM
To: (b)(6)
Subject: Assassination

July 3, 2004
 Ambassador:

On July 1 at 0800 a targeted assassination (remote IED) occurred against the President of the Board of Supreme Audit, Ihsan K. Ghanim Al Ghazi (he has a wife and children). He died hours later. Also killed in the attack were his PSD and driver.

It is amazing how quiet the Embassy has been about this. Hardly anyone seems to know about it much less care. I know the timing is bad, but, hey, it isn't his fault. Surely, Bremer would have been all over this. The silence is deafening. And the silence is being noticed on the streets

As you might guess it is a HUGE BLOW to anti-corruption and all things good. The Board of Supreme Audit was one of the three pillars of anti-corruption. Ihsan took up the heavy load for BSA early. He rebuilt the BSA building with his own hands and funds. He paid for his own security which, we understand, cost him twice what he got paid for the BSA position. He answered the call to advise Bremer on the institution of both a new CPI and a new IG system and then supervised the order reconstituting the BSA. After being the acting President for over a year, he was finally appointed President of BSA by Bremer two weeks ago.

Ihsan had many enemies, most associated with Oil for Food audits he was conducting at the direction of CPA. These enemies were both foreign and domestic.

He personally met with all Bremer appointed IGs to workout the transfer of BSA auditors to become permanent parts of the IG staffs. He also directed his managers to begin developing auditing training programs for the IG auditor staffs that will be stood up by the end of the summer. This he did because it was needed. No one directed him to do so. He was just an honorable man that died a silent patriot. Those left behind and now again are reminded that fighting corruption makes all IGs and all CPI members major

7/5/2004

targets. These people will see if this hero is properly recognized by the CPA who so easily benefited from his bravery and sacrifice.

As you know, his surviving wife can not leave the home. I don't know who is advising the Ambassador or DCOM, but no one has gone to visit her, no announcement has been made. I doubt that anyone has spoken to PM about the implications or who/how he needs to appoint a successor. Perhaps he should name one of the VP's as Acting until a successor is found. To do nothing for too long would be a devastating sign for the anti-corruption movement.

It is hard to sit back and do nothing. What, if anything, had CPA done in the past when a major figure was assassinated? Did we provide any kind of monetary payment? Did Bremer go visit the widow and/or send a note?

It seems that we should do something like the following:

The Ambassador of United States of America should make a visit to the wife of Ihsan and present a letter of condolences on behalf of the US Embassy together with a support payment for his unequalled contributions to rebuilding Iraq and the loss his family now endures for his efforts.

What should we do and who is going to tell the front office that?

Help!

(b)(6)

Colonel, USA
Senior Consultant
Ministry of Industry & Minerals

(b)(6)

7/5/2004

COMMISSION OF PUBLIC INTEGRITY

Corruption undermines the very legitimacy of government and public confidence, fosters and facilitates increased criminal activity, particularly in the area of organized crime and combine to erode the foundations of an emerging free society. Corruption inevitably wards off investment and foreign aid, impedes economic growth, and becomes a mechanism for extortion from the people. It is in the interest of Iraq to develop a robust, credible anti-corruption campaign. The initiatives required to address the problem include legislative reforms, civil service reforms, audit programs, education programs, and the creation of an Commission of Public Integrity (CPI).

During the former regime the country experienced a breakdown in governmental structures which provided an environment in which corruption thrived. While any country in transition is ripe for corruption, Iraq is at greater risk as it is simultaneously undergoing a transition, from a centrally controlled economy to a free market economy, and from a dictator style government to a democracy. Corruption had found a fertile environment to prosper under the former dictator and it also encountered little law enforcement activity despite robust criminal sanctions. The losses resulting from fraud and corruption appear massive, yet cannot be quantified accurately due to: the lack of transparency in government; lack of professional development education for government workers; a citizens inability to obtain full and complete information about governmental operations, and the lack of proactive investigation and enforcement of existing criminal statutes.

The Commission of Public Integrity will be charged with detecting, investigating, and assisting in the prosecution of corruption at all levels of government on a nationwide basis; monitoring financial disclosure and codes of conduct filings; with proposing such additional anti-corruption legislation as is necessary, to include transparency in government, and with conducting public awareness and education programs.

The CPI will have five divisions: administrative, investigative, legal, prevention, and public affairs and education. The head of each division will report to a single chief, who in turn will provide regular and annual reports to the highest executive authority in the Iraqi government, the legislature and the public. Operations will be conducted entirely by Iraqis, with mentoring, guidance and assistance by experts in the field. By combining a nationwide, coordinated aggressive three pronged approach (investigative, educational and preventative) the program will begin the process of a long term successful anti-corruption campaign.

In order to establish any long term campaign, CPI must be independently funded and autonomous from any other organization. The person in charge of CPI will report only to the highest authority and will be appointed to a lengthy term. Investigators and judges will have nationwide jurisdiction to gather information, investigate, subpoena, and prosecute government agencies, employees, or private parties. CPI will have financial analysts, auditors, investigators, investigating judges and the equipment for sophisticated pro-active investigations. No one is above the law so investigations will include both lower-level government employees who mostly interact with the public they serve and high level officials who are sworn to uphold the highest standards of integrity. Education and public awareness programs aimed at fostering a culture of integrity and honesty are necessary to change years of institutional acceptance of bribery. Creating public awareness about the costs of corruption and its effects on citizens' lives and on

society in general is essential. Without significant changes in public attitude and perception, long term change and disincentive to engage in bribery can not fully succeed.

CPI will establish channels, such as hotlines, through which the citizens of Iraq or government workers can report corruption and use both pro-active and reactive investigative techniques to independently review the allegations. CPI will have links to an inspector-general in each ministry, and to the Board of Supreme Audit, which will provide the nationwide umbrella of support needed to effect change.

Codes of conduct signed by every governmental employee and financial disclosure statements filed by upper management will aid in creating transparency in government. A compliance office staffed with auditors, accountants and investigators will review the filed forms to ensure honest compliance and provide support to the investigative teams. Proposed legislation to further increase transparency of government, as in public access to government contracts and operations, and increased criminal penalties for misconduct are also necessary.

The Commission of Public Integrity's three pronged approach encompasses the essential threads of a successful, wide-ranging and coordinated anti-corruption campaign. Additionally, the combination of an independent audit system, civil service reform, and establishment of internal "watchdogs" such as an Inspector General, all with links to CPI, will provide a long lasting and sustainable anti-corruption effort. CPI is a comprehensive program which addresses the investigation, education and prevention components of a successful anti-corruption campaign through the use of an independent, autonomous body that can sustain operations for the long term and foster political stability, social order, economic development, foreign investment, confidence in the government, and faith in constitutional democracy.

NATIONWIDE CAMPAIGN TO ELIMINATE CORRUPTION IN IRAQ

COMMISSION ON PUBLIC INTEGRITY- INSPECTOR
GENERALS - THE BOARD OF SUPREME AUDIT

COMMISSION ON PUBLIC INTEGRITY – ENFORCEMENT,
EDUCATION PREVENTION

- Separate, autonomous and independent body
- Administrator will be appointed by the Executive subject to confirmation by Legislature
- Three primary functions:
 - Investigation
 - Primary investigative law enforcement body for allegations of corruption.
 - Investigators and judges will have nationwide jurisdiction to investigate, gather information, subpoena, detect, and prosecute, on a pro-active basis, government agencies, employees, or private parties.
 - Hotline/ombudsman for citizen complaints.
 - Education
 - Develop programs for government employees, Iraqi citizens and school children aimed at fostering a culture of integrity and honesty.
 - Public affairs programs for citizens about the cost of corruption and its effect on citizen's lives and society in general.
 - Prevention
 - Develop, distribute and track Code of Conduct signed by all governmental employees.

- Develop, distribute, verify and track financial disclosure forms filed by upper management.
- Transparency in Government – promote programs which enhance public access to government operations.

BOARD OF SUPREME AUDIT – AUDIT OF PUBLIC FUNDS, PROMULGATES ACCOUNTING STANDARDS

- An Arm of the Legislative Branch.
- Has the moral personality, financial and administrative independence to perform all legal acts to fulfill its tasks.
- Audits public expenditures, receipt of public funds, financial statements and reports.
- Technical assistance in the fields of accounting and control.
- Establishes rules, practices, and accounting standards and provides training to Inspector General and Office of Public Integrity.
- Could audit the Inspector General or the Office of Public Integrity.

INSPECTOR GENERAL – THE MINISTER'S INDEPENDENT MANAGEMENT WATCHDOG FOR INTERNAL MATTERS

- Appointed by the Executive subject to confirmation by the Legislature.
- Nominated by Ministers.
- Reports to and under the general supervision of the Minister.
 - Shall not report to or be subject to supervision of any other officer of the Ministry.
 - Minister shall not prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation.
 - Removal only by the Executive with communication of reasons for removal to the legislature.

- Adheres to auditing standards promulgated by the Board of Supreme Audit
- Subject to investigation by the OPI and audit by the Board of Supreme Audit
- Functions:
 - Audit & Investigations of the programs and operations of the ministries (Criminal violations turned over to OPI)
 - Provide leadership and recommend policies to promote economy, efficiency, and effectiveness, and to prevent and detect fraud and abuse of authority
- Annual public report
- Investigations

COMMISSION ON PUBLIC INTEGRITY (CPI)

Overview

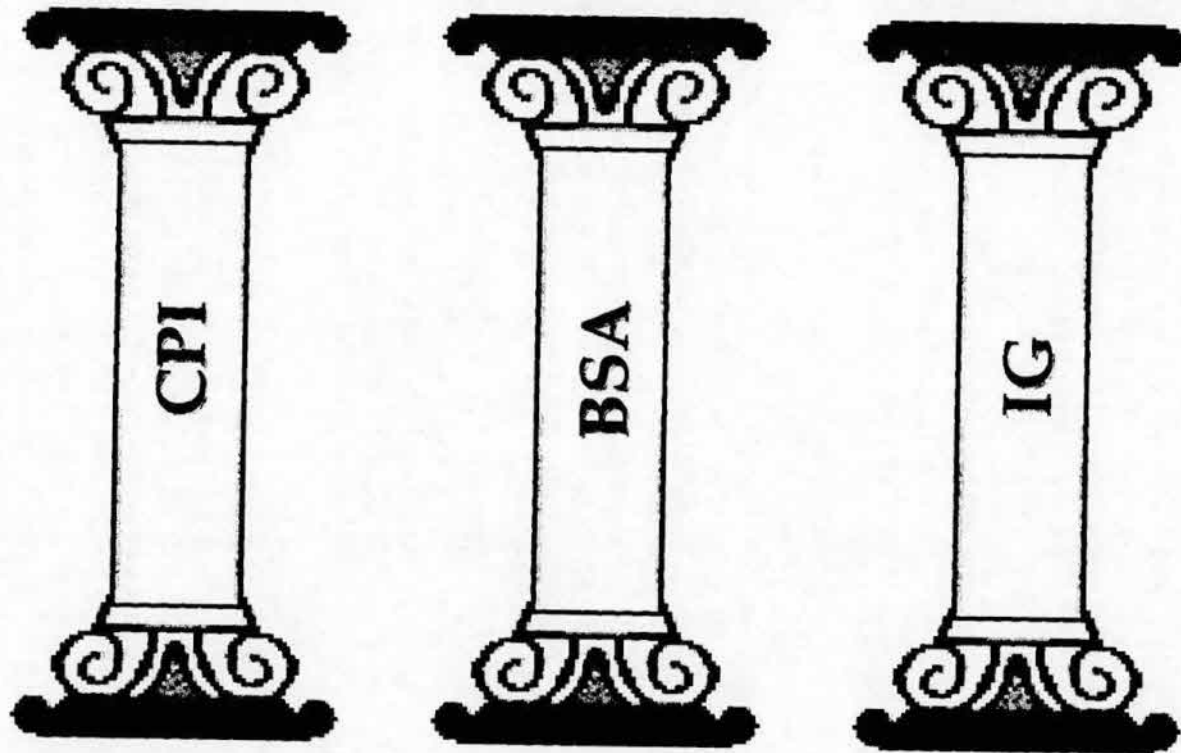
- Independent, autonomous instrument of government reporting directly to chief executive and legislature.
- Established by Iraqi Governing Council pursuant to CPA delegation of authority (Order 55); enshrined in the Transitional Administrative Law (Article 41).
- Four main initial functions:
 1. Primary responsibility for investigating and prosecuting corruption crimes: with the option to take over any corruption investigation; pursuing both high-level and low-level corruption to demonstrate concrete impact on Iraqis' daily lives.
 2. Promulgate a consolidated Code of Conduct for all government employees.
 3. Promulgate and implement mandatory financial disclosure regulations for top government officials, judges.
 4. Umbrella organization to consolidate and coordinate programs to educate government workers and the citizens of Iraq on ethics in government, and promote transparency in government activities. Other duties include community outreach, anonymous tip hotlines, proposing legislation, and coordinating international training assistance.
- The Commissioner
 - Nominated by Governing Council, appointed by Administrator to five-year term.
 - Two-term limit. (5 years)
 - Can be removed by two-thirds vote of national legislature only for incapacity, serious misconduct in or out of office, dereliction of duty, or abuse of office.
 - Candidates for Commissioner have been interviewed and recommendation forwarded.
- Order 55 also enhanced criminal punishments for corruption crimes.
- Part of three-pronged good-government campaign, with IG's and Board of Supreme Audit.
- Initial Plan
 - 350+ Iraqi staff.
 - Operations to be conducted by Iraqis.
 - Review operations after 12 months and develop a plan to expand outside of Baghdad and beyond the Ministries to other governmental areas.
 - Identify additional training programs
 - Interact with Inspector Generals and President of the Board of Supreme Audit.

Current status

- \$35M in funding identified
- Investigative training: approved and funded.
- Code of Conduct course of action ready for Commissioner's review.
- Financial disclosure course of action ready for Commissioner's review.
- Office facility identified and under renovation, ready for occupancy soon.
- Identifying potential Investigators
- Provide funding and training programs to accomplish the goals of the Commission.
- Interact with the Inspector General Office in the ministries and Board of Supreme Audit.

Iraq 2004

Setting Up the Anti-Corruption Pillars



Briefing on Anti-Corruption Strategy

We are seeking to ensure that:

- **Ministers and officials are aware of what the new legal framework and strategy mean for their Ministry;**
- **Anti-corruption efforts are included in your Ministry's overall strategy;**
- **Ministers lead and help to create an anti-corruption environment.**

Anti-Corruption Strategy

To end corruption we need to:

- **Develop honest and transparent governance systems;**
- **Increase public awareness through education in the public sector and throughout society at all levels.**
- **Promote economic prosperity (and international investment) and a fair distribution of its benefits;**
- **Ensure public resources are used for the public good, not private gain;**
- **Enforce the criminal law that deals with current fraud, waste and abuse, and with the corruption of the former regime; and**
- **Ensure compliance with the revised Code of Conduct for state employees.**

3 Institutional Pillars

1. Commission on Public Integrity

Enforcement, education & prevention

CPA Order No. 55 of January 27, 2004

2. Board of Supreme Audit

External auditor; quality control of internal auditing

CPA Order No. 77 of April 24, 2004

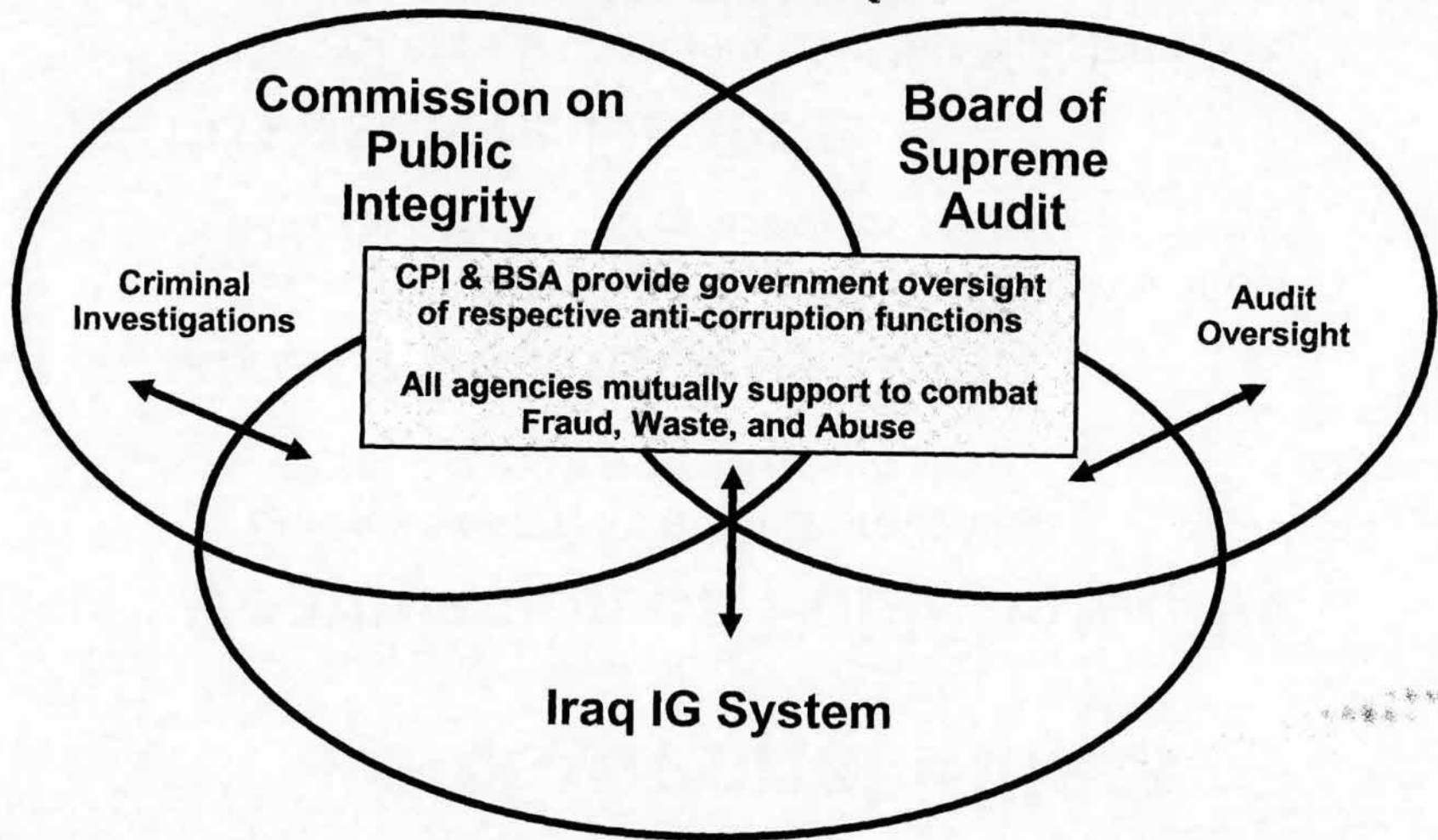
3. Inspectors General

“Eyes, ears & conscience” of the Ministries

CPA Order No. 57 of February 5, 2004

Iraq's Anti-Corruption Pillars

Overall Concept



Commission on Public Integrity

ENFORCEMENT

- Primary investigative law enforcement body for allegations of corruption;
- Investigators and judges have nationwide jurisdiction to investigate, gather information, subpoena, detect, and prosecute, on a proactive basis, government agencies, employees, or private parties;
- Hotline coordination with IGs for citizen complaints.

Commission on Public Integrity

EDUCATION

- Develop programs for state employees, Iraqi citizens and school children aimed at fostering a culture of integrity and honesty;
- Public affairs programs for citizens about the cost of corruption and its effect on citizens' lives and society in general.

Commission on Public Integrity

PREVENTION

- Develop, distribute and track Code of Conduct signed by all state employees;
- Develop, distribute, verify and track Financial Disclosure Forms filed by senior public officials;
- Transparency in government – promote programs which enhance public access to government contracts and operations.

Board of Supreme Audit (1)

- New Order amends existing law and enables appointment (or re-appointment) of BSA President and Deputies;
- BSA role, as independent audit body, to inform public and government and promote economy and efficiency;
- Undertakes financial and performance audits and program evaluations;
- As “public guardian...promoting anti-corruption and integrity,” works with CPI and IGs for “honest, transparent and accountable” government.

Board of Supreme Audit (2)

- Ministry staff required to co-operate fully with BSA;
- Promulgates auditing and accounting regulations, to international standards; provides quality oversight of IGs;
- Publishes Annual Plan and Annual Report; audit findings referred to IGs and/or CPI and are available to public;
- 1,100 + staff. Business assessment required to define major organization development and training tasks;
- U.S., UK, and other partners considering assistance. \$20M in 2004 budget for reconstruction and training.

Inspector General System

- Independent and objective fact-finders for the Minister – help ensure and improve effective and efficient ministry operations;
- Each IG reports to one of 26 Ministers;
- IGs act as an extension of the eyes, ears, and conscience of the Minister.

Functions of Ministries IGs

1. Audit

2. Inspections

3. Investigations

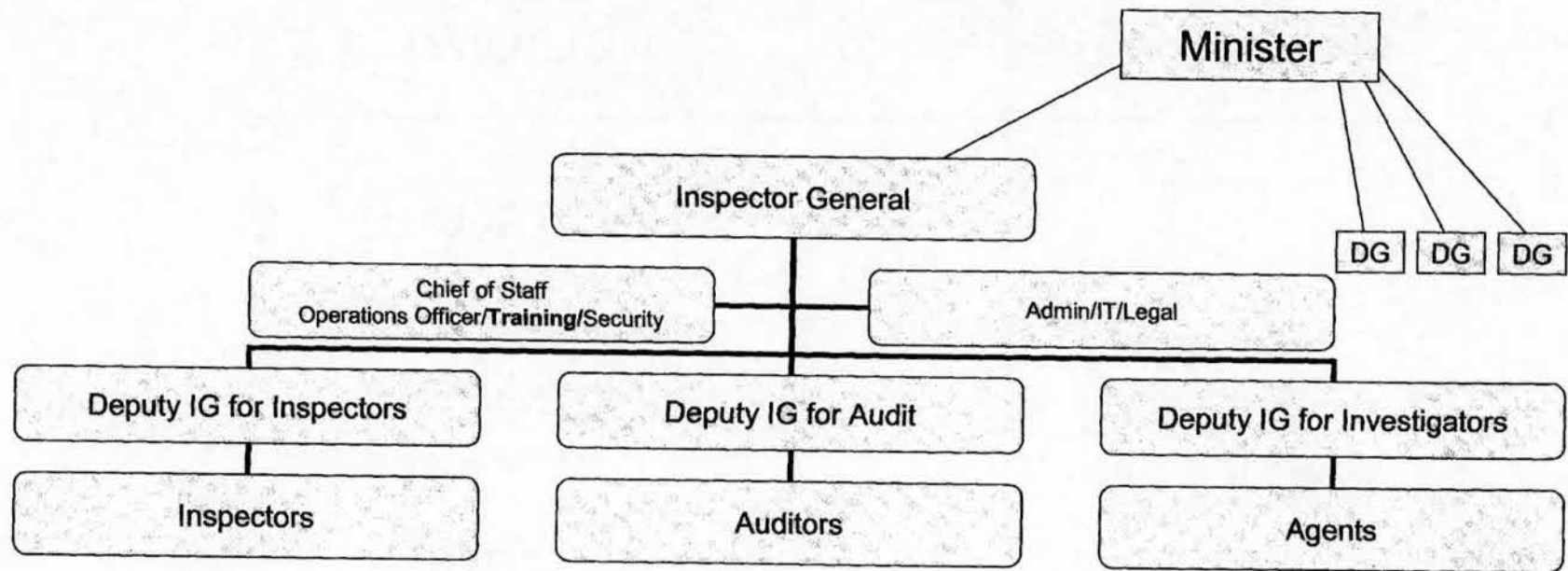
4. Training

**Independent
Fact-Finding
for Minister**

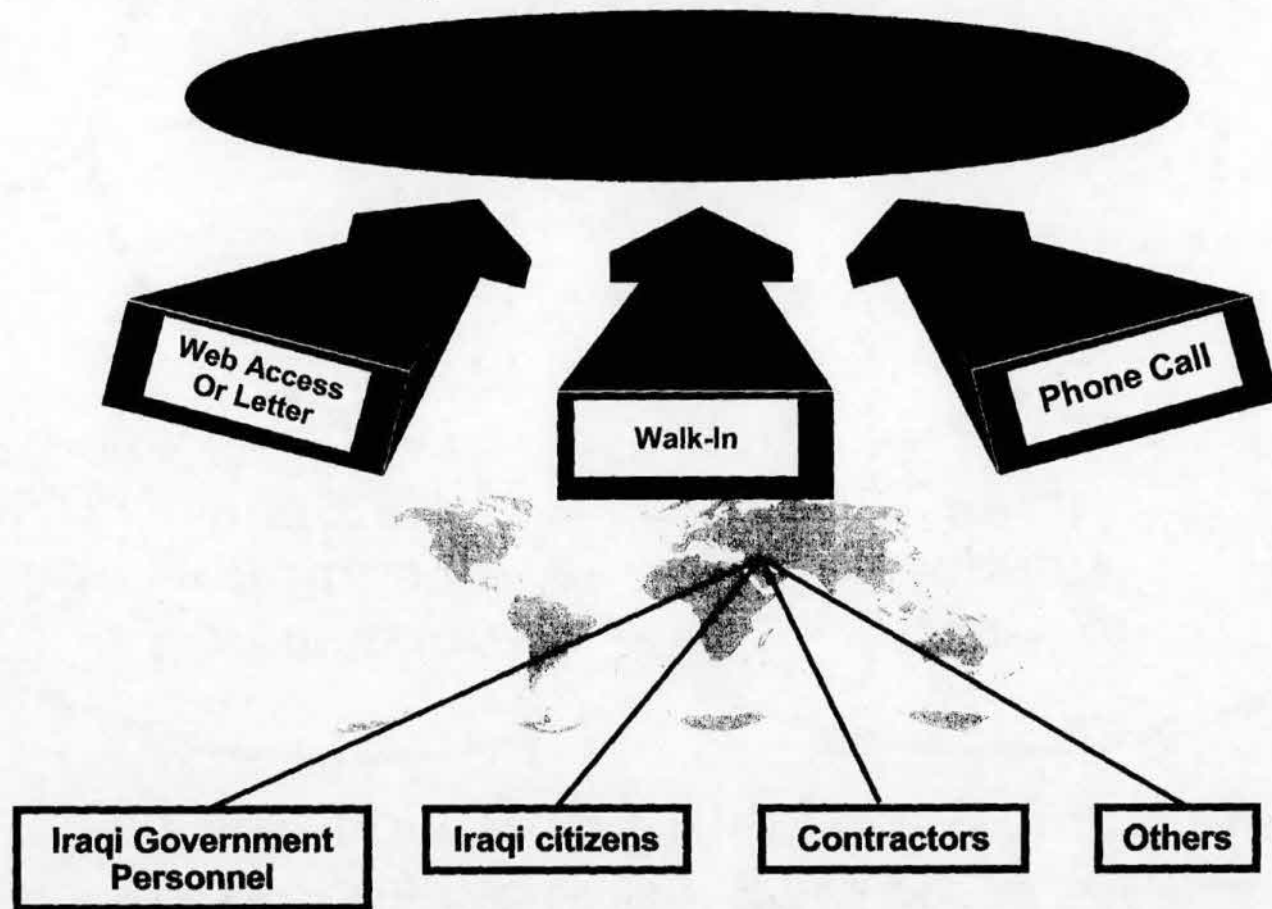
Teach & Train

Functional Organization

Office of Inspector General

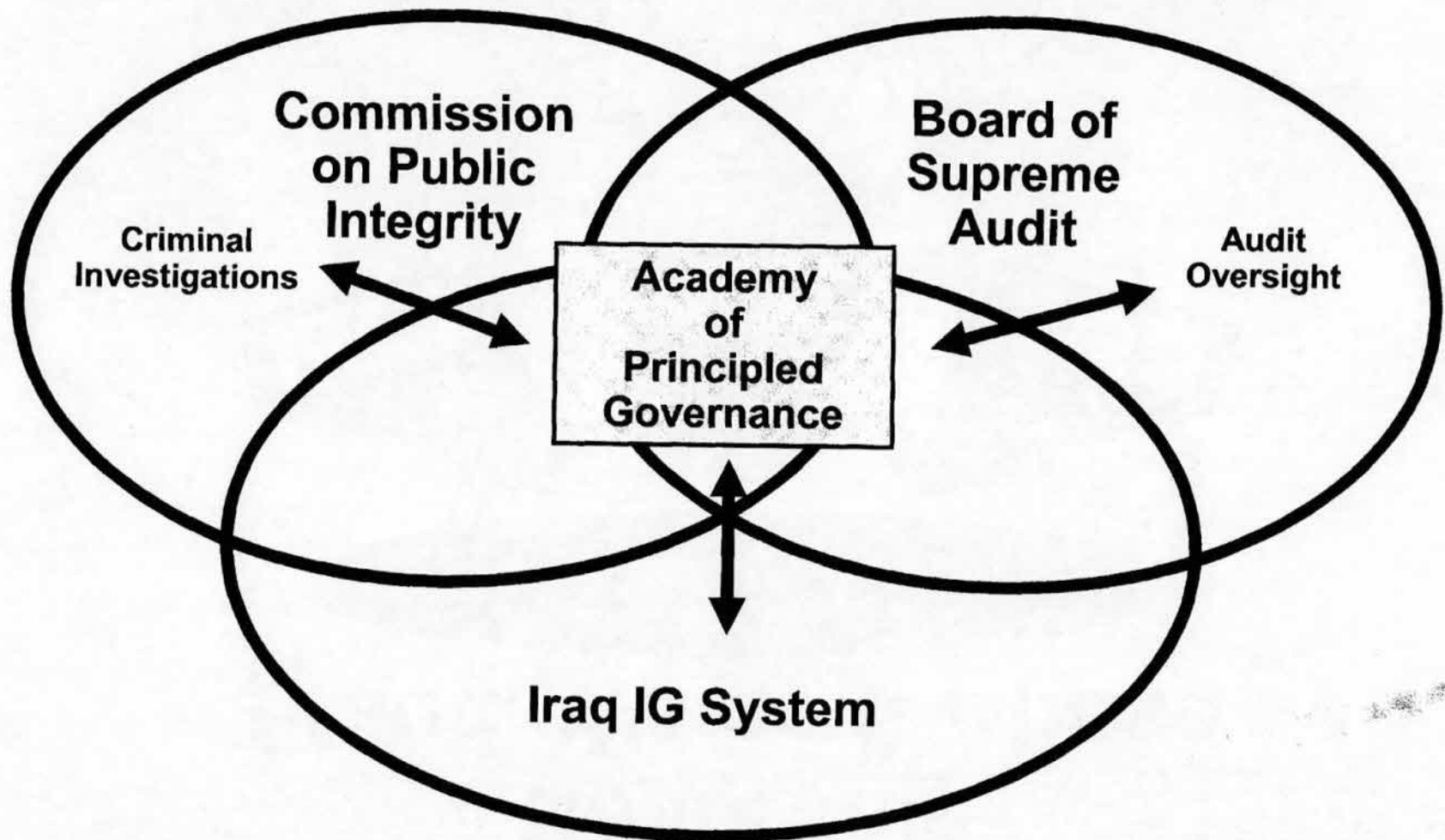


Reporting Fraud, Waste & Abuse



Institutionalizing Anti-Corruption

Iraq's Academy of Principled Governance



IG Milestones

1. 2005 OIG budgets to Ministers by May 2004
2. Iraqi Anti-Corruption Committee formed 1 June 2004
(includes CPI, BSA, IGs, MoE)
3. OIGs build staff to at least 33% - **operational by 1 July 2004**
4. OIG staffs trained in IG business July-August of 2004
5. Scope of Work for Academy completed by Task force by August 2004
6. Contract awarded to develop Academy by October 2004
7. OIG staff at least **50% by December 2004**
8. IG, CPI, BSA Academy courses tested Feb-June 2005
9. Academy facility and Curricula operational by August 2005
10. OIGs **95% staffed, fully functional, & trained by December 2005**

Linkages

- **The CPI and the BSA support and oversee the work of IGs within Ministries;**
- **Ministers, supported by their IGs, have a personal and collective responsibility for the effectiveness of their Ministries, including measures to combat corruption;**
- **Detailed requirements in Orders for exchanges of information between three bodies.**

What You Can Do

- **Ensure Minister is aware of the three Orders and prepared to comply with requirements to provide information;**
- **Set your Ministry's priorities for combating fraud, waste and abuse;**
- **Support the stand up of your Office of the Inspector General;**
- **Be prepared to support education programs within your Ministry.**

WHAT IS THE CPA HOTLINE

The CPA Hotline is a
feedback system that
reduces centralized Fraud,
Waste,
and Abuse and helps
assure quality assurance
oversight

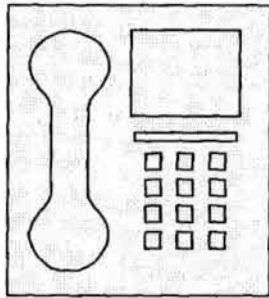


MISSION

- Receive and process complaints of fraud, waste, abuse of authority, and gross mismanagement
- Determine responsible authority and forward merited complaints for investigation
- Record and Manage cases
- Provide oversight to assure and adequacy of corrective actions

Fight Corruption HOTLINE

Fraud Waste & Abuse*



(703) 428-1045

OR WRITE:

**COALITION PROVISIONAL AUTHORITY
OFFICE OF THE INSPECTOR GENERAL
ATTN: HOTLINE
400 ARMY NAVY DRIVE
ARLINGTON, VA 22202**

Email: www.cpa-ig.org/submit_fraud.html

Fax: (703) 428-0752

Announcement

Aiming to utilize the production capacities of the various plants of the Ministry of Industry & Minerals and to Support Iraqi economy by displaying national goods in the Iraqi Markets .

The ministry announces the start of its investment program / stage one through the lease of a number of its factories in several governorates as listed below.

Interested persons, having experience & finance capabilities are invited to call upon the head office of the ministry of industry & minerals/ state organization of leather industries building / Karada – Al-Huria Square , to familiarize themselves with the lease terms & conditions, and to arrange visiting the sites of these factories.

The ministry is preparing an Investment file for each factory that shall include all the technical & economical information. The file shall be sold to the interested persons within two weeks from the date of this announcement. Later they are required to submit their offers latest on Tuesday 11/11/2003 – 12 o'clock .

The ministry is not obliged to accept the highest offer.

Terms for lease of Industrial Plants .

1- The lessee whither natural person or juridical should posses one of the following conditions :-

- Owner of a similar Industrial plant or have sufficient experience to manage and operate the plant (the evidence of experience should be enclosed with the offer).

- Has a license to a well – known trade – mark in the field of plant produces or has signed contract or an agreement with a specialized international company in the field of the plant products to use its trade – mark .

2- The lease agreement shall include production lines and equipment, all kinds of fixed assets , land and buildings and constructions built on , in accordance with a joint listing between the two parties .

3- In case a new production lines or new equipment and machinery are added during lease period , the additions and evaluation shall be done in accordance with clause (8) below .

4- The lease period shall be agreed upon between the two parties but not less than five years .

The annual lease amount shall be paid in two equal installments :-

The first, is to be paid in advance on signing the agreement .

The second, after six months supported by a guarantee letter .

The amount of lease shall be reviewed every two years .

5- A letter of guarantee or deposit amounting to 25% of the lease amount should be submitted .

6- The products shall be in conformity with the accepted specifications certified by the central bureau of standards and quality control .

7- The lessee shall guarantee to preserve the plant with all its assets during the lease period and to perform all necessary maintenance and shall be liable for the responsibility and value of all damages that may occur for reasons not due to normal operation .

8- The lessee shall guarantee to follow the industrial safety regulations and environmental requirements and provide the equipment and requirements needed for this purpose. In case these requirements are not available within the assets of the plant, it should be provided after the approval of the ministry. The lessee shall bear the cost of operation and depreciation.

The added equipment shall be the property of the lessee at their book value after the expiry of the lease contract.

9- The lessee shall keep all the permanent employees of the plant working before the lease contract.

10- The lessee shall insure all the plant assets against all risks and pay the premiums.

11- The lessee have no right to change the specific specialization of the plant production, however, he has the right to develop and increase the product mix of the plant in the way he find it adequate within the plant specialization.

12- The lessee has the right to use the plant products trade- mark against a fee to be agreed upon.

13- The lessee has the right to price his product at no interference from any side and to choose means for local marketing or export.

14- The lessee has the right to engage Iraqi or foreign experts to participate in managing and operation of plant.

15- The state company shall provide the lessee with the necessary supporting letters to other administration offices to facilitate his work, all in accordance with and prevailing laws and conditions.

Ministry of Industry & Minerals

List of plants announced for leasing

ITEM	NAME OF THE COMPANY	NAME OF PLANTS
1-	Wasett Company for Cotton Industry	Textile Plant + Knitting Plants
2-	State Company for Cotton Industry	Diwania Textile Plant
3-	State Company for Woolen Textile	Nassiriah Textile Plant
4-	State Company for Ready-made Clothing	Ninawa Plant for Clothing + Najaf Plant for Clothing
5-	State Company for Vegetable Oil Industry	Al-ameen Plant (specialized in producing soaps)
6-	State Company for Dairy	Al-qadisiah plant for dairy + Ninawa plant for dairy
7-	State Company for Tobacco & Cigarettes	Nasser plant + Baghdad plant for producing Cigarettes + Matches Plant + 2 Offsets.
8-	State Company for Sugar Industry	Meesan plant + Warehouses and platform in Um – Qassir port
9-	State Company for Glass & Ceramic	Tiles & Ceramics plant (new & old plants) + Sanitary plant
10-	Nasser Company for Mechanical Industries	Structures Plant and Sandwich Penal
11-	Ur State Company for Engineering Industries	Aluminum Plant + Electrical Cables Plant + Jelly Cable Plant
12-	Dialah Company for Electrical Industries	Fiber Optic Cable Plant
13-	State Company for Paper Industries	School – copybooks plant in Taji (the plant consists of : 4 units for producing copybooks, Eggs Containers, Pencils , paper- waste pressing)
14-	Al-Furat Company for Chemical Industries	PVC bags + Corn flower Plant
15-	State Company for Batteries	Babel plant (1)
16-	State Company for Tires Industry / Najaf	Tires Plant + Rubber products plant
17-	State Company for Drugs / Ninawa	Ninawa Drugs Plant + Intervenes Solution Plant
18	State Company for Drugs / Samara	Medical Gas plant in Baghdad

Main Points

Contract between Kirkuk Business Development Commission And Samy Al-Jaf For Rights to Develop Kirkuk Government Shopping Center

- Rent: 20 million ID
- Term: 30 years
- Paid: every six months with the first six months from date of contract free *Quarterly*
- Rental Currency: Iraqi Dinar
- Rent Adjustments: every 5 years with the first adjustment limited to a plus or minus 10% change
- Adjustment Mechanism: committee of 3 persons: taxation, property registration, Chamber of Commerce
- Character of Business: retail shops for goods and food items, no changes that significantly alter the structure or the character of the business may be made without agreement from the BDC
- Sublease: subleases are allowed in whole or in part subject to the agreed Character of Business clause *approval of Lessor*
- Control of Property: all structural changes/additions become property of the owner while all moveable property (furniture & fixtures) are property of the tenant
- Employee Issues: Samy agrees to retain 50% of the current Ministry of Trade employees who choose to become his employees

100%

Lease-to-buy step-by-step procedure

Introduction

To make lease-to-buy transaction the Ministry should be convinced that this type of contract is advantageous for a given SOE. Next the Ministry should obtain standard set of documents which show the present status of SOE and will be used for selection of bidders, negotiations and signing the contract (financial analysis, legal due diligence, valuation, etc). In the next phase of the process, the formal and transparent procedure to select the best bidder must take place. It encompasses public announcement, collecting the bids, negotiations, bidders' due diligence and finally signing the contract.

Below there is the description of the whole process in bullet points. Each of them will be next discussed in detail.

Elements of the lease-to-buy transaction process

1. selection of SOE for lease-to-buy transaction
2. preparation of terms of reference for the advisors
3. selection of lead advisor
4. work of the advisors
5. public invitation for tender / for negotiations
6. distribution of flyers and Offering Memorandum
7. collecting non-binding / initial offers
8. first round of negotiations
9. selection of bidders' short list
10. delivery of lease-to-buy draft agreement to short listed bidders
11. limited due diligence performed by short listed bidders
12. collecting binding offers
13. the second round of negotiations
14. granting exclusivity to one bidder
15. final round of negotiations
16. signing of lease-to-buy agreement
17. if agreement conditional waiting for fulfilment of these conditions
18. closing the deal

Selection of SOE for lease-to-buy transaction

Initiative may come from:

- the potential bidder, who wants to lease a given SOE
- the Ministry, which wants to give a lease of a given SOE because of some reasons (to improve performance, knowledge of potential interested parties, etc)

- the management of SOE (regardless whether it is a potential bidder or not), which sees leasing contract as the development opportunity for SOE and for themselves.

If selection decision is to be taken based on Ministerial initiative or SOE management initiative it should be based on the proper substantiation. That can take the form of some standard written explanation, e.g. SWOT analysis of lease-to-buy contract for a given SOE.

- Decision to select a given SOE is
- in the Minister's hands or
 - in the power of special interministerial committee

Preparation of terms of reference for the advisors

In order to prepare and execute the transaction, the Ministry should have the well defined set of information: about the SOE itself and potential bidders as well as it should hire the experienced advisors to run, on behalf of the Ministry, the whole process outlined above in bullet points.

The set of information on a given SOE that the Ministry required includes:

- business and financial report describing:
 - business profile (organization structure, marketing, cost analysis, etc.)
 - technical assessment (asset and technology description) giving the owner the general insight into technological level of SOE.
 - SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis
 - business plan for the next few years or at least description of management intentions
- valuation of SOE
- presentation of financial statements in accordance with Iraqi and GAAP principles for the last day of the month preceding the month of submission of the report or (if possible) – auditor's due diligence
- legal due diligence (with threats assessment) report
- if necessary, the conduct of physical inventory count (stock taking) of the inventory and property, plant and equipment
- if necessary, environmental audit
- if necessary, full technical audit

The bigger SOE and the more significant for the economy it is, the more preparatory work should be done to get the detailed and right picture of a given SOE. Based on this data Ministry will be well prepared to negotiate efficiently the lease-to-buy contract with interested parties.

We assume here, that SOEs selected for lease-to-buy contract will not undergo any substantial turn-around process prior to being offered for lease (spin off, downsizing, re-engineering, etc). Otherwise we would have ministerial run turn-around process and not a lease-to-buy transaction.

To obtain the required set of information, it is needed to take professional companies which will make the appropriate analyses and deliver the proper reports. Next, some of them will run the execution phase of the process. During that phase the sale documents are prepared, like:

- Public invitation for tender / for negotiations
- Summary Offering Memorandum
- Offering Memorandum
- Letter of Confidentiality
- Draft lease-to-buy contract

Usually the following professionals are needed:

1. business consultants to prepare business and financial report
2. M&A specialists to prepare the sale documents and execute transaction
3. accountants to prepare or audit financial statements
4. lawyers to prepare legal audit and next draft lease-to-buy contract

Business consultants and M&A specialists are sometimes the same team

Sometimes the other professionals are required:

5. environmental auditors to assess environment related issues (level of pollution, cleaning costs, etc)
6. industrial specialists to make detailed study of present status and future prospects of SOE's assets

There are two general models of dealing with the advisors.

1. the Ministry hires separately each of them and plays the role of active coordinator and project manager of the transaction. Responsibility for day-by-day efficient running of the transaction lies in the Ministry's hands
2. the Ministry hires a lead advisor responsible for the coordination of all advisors needed to complete transaction. Ministry reserves the power to take key decision based on the reports prepared by the advisors. Responsibility for all current advisors activities lies in lead advisor hands.

Model number 1 consumes a lot of time of the coordinator and might be used by the Ministry in small and simple transactions. Model number 2 is used in majority of

cases. It gives the Ministry much more resources freed to other activities and locates one point of responsibility for all advisory work.

To make the process of hiring the lead advisor efficient and transparent, Terms of Reference (TOR) or Request for Proposal (RFP) should be worked out. The role of TOR or RFP is crucial for the later stages of the process. The better guidelines are given to potential advisors how to prepare the offer, the better offers and more suited to our needs can come and the easier will be to compare them and to select the best.

This document includes.

1. the name of the Ministry which intends to lease a given SOE;
2. the name of SOE to be leased plus few basic information about it;
3. description of the scope of work required by the Ministry;
4. the time of execution of particular tasks of the advisor and timetable of the whole project
5. very detailed description of the required content and format of the offer submitted by the potential advisor, including financial offer. The more detailed description is the less uncertainty is on the side of potential advisor what must be done to meet Ministerial expectations;
6. the formal, financial and professional conditions which must be met by any potential advisors (e.g. excerpts from the register, financial statements confirming the financial situation of the potential advisor, experience);
7. information of the offer assessment criteria used by the Ministry;
8. the contract between the Ministry and potential advisor to be signed and returned to the Ministry together with the offer for advisory services;
9. the deadline of the submitting the offers

The exemplary content of the offer may include but is not limited to:

- Deal team members' CVs (only those who will perform the work)
- Relevant experience in M&A and lease-to-buy transactions (as it relates to team members)
- Team depth (ability to work on multiple transactions)
- Regional presence
- Arabic speakers on the team
- Ability to provide documents in Arabic and English
- Willingness to incorporate local Iraqis into the team (if the advisor is not the Iraqi firm)
- Billing rate
- Aggregate bid
- Ability to commence work with short notice
- Ability to meet tight deadlines
- References

COALITION PROVISIONAL AUTHORITY

BAGHDAD

November 7, 2003

Subject: DRAFT Outline of SOE Lease Structure

- A transparent bid process will be conducted for each SOE lease
 - Prior to a closing, the lessor is to perform a valuation as well as financial and legal due diligence to obtain a detailed assessment of the SOE to be leased
 - Lessee will provide a business plan that will be agreed to by the lessor
 - The lessee will have the right to restructure the SOE according to the agreed upon business plan
 - The lessee can terminate employees during the lessee period but a severance plan will be provided that at a minimum meets the terms set forth in the CPA Severance Plan
 - The lessee will propose a capital expenditure plan that will address periodic maintenance of the SOE plant and equipment
 - At the request of either the lessee or the lessor, the business plan may be modified during the lease period. Both parties need to agree to modifications of the lease period due to substation changes in markets or manufacturing technology.
 - The lessor will conduct a comprehensive annual audit of the SOE
 - The lessee selection criteria will require that the lessee demonstrate that it has sufficient working capital to operate the SOE
 - Upon closing, the lessee will provide a downpayment of 25% of the sum of all the lease payments over the lease period
 - The lease period can range from 1-10 years and will conclude with the transfer of ownership of the SOEs to the lessee upon the last lease payment
 - The lessee agrees to assume all standard liabilities such as accounts payable at closing. The lessee will be responsible for all expenses incurred by the SOE during the lease period to include salary, pension expense and operating costs.
 - Should the lessor conclude that the lessee business plan is not being adhered to which would include but not be limited to:
 - Failure to maintain Property Plant and Equipment
 - Stripping or tunneling of assets
 - Abandonment of business plan
- The lessor has the right to terminate the lease and the lessee's deposit will be forfeited
- Lease payments will be made on a quarterly basis
 - The lessee will not be able to repatriate proceeds that exceed the periodic lease payment amounts from the SOE during the term of the lease
 - If lessee fails to make two lease payments, the lessor can either implement a penalty clause equal to one lease payment or to terminate the lease.
 - If the lease is terminated due to the failure of the lessee to make lease payments, all previous payments are owned by the lessor
 - The lessee will be responsible for all liabilities incurred by the SOE during the lease to include environmental liabilities
 - A dispute resolution mechanism will be agreed upon prior to close
 - Standard covenants will be issued to include but not limited to:
 - No liens, transfer or abandonment of SOE assets
 - All Iraqi laws will be adhered to including labor and environmental

- The lessee will maintain proper insurance during the lease period
- The quarterly payment =
interest + (75% of the value of SOE - previous payments) / number of payments
remained to be paid.)
- The interest = 75% of rediscount rate x (the value of SOE - previous payments)
- The lessee should not be allowed to dump products in the market below self cost
price. This to avoid profit taking thru a third party
- The products should no be sold on credit. This to avoid a real bankruptcy and
shifting of capital from the enterprise.

7%

30mm

750K / quarter

20C

EXAMPLE

Value of the company = 400.

"Lease" in 4 equal installments (payments)

rediscount rate 10%

payments once a year

Payment scheme

first "guarantee" payment upon closing = 25% of the value = **100**

after 1st year,

i.e. after a year of using unpaid yet assets valued 300

second payment	100
interest $300 \times (75\% \text{ out of } 10\%) = 300 \times 7.5\% =$	22.5
total	122.5

after 2nd year

i.e. after a year of using unpaid yet assets valued 200

third payment	100
interest $200 \times (75\% \text{ out of } 10\%) = 200 \times 7.5\% =$	15
total	115

after 3rd year

i.e. after a year of using unpaid yet assets valued 100

fourth payment	100
interest $100 \times (75\% \text{ out of } 10\%) = 100 \times 7.5\% =$	10
total	110

after three years lessee becomes the owner

TOTAL	447.5
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Generic
CONCESSION CONTRACT

draft 3/17/01

PARTIES

The parties to this Concession Contract are the United Nations Interim Administration Mission in Kosovo (the "Grantor") and _____ (the "Grantee") (jointly, the "Parties").

RECITAL

Grantor has the authority to make this Concession Contract under UN Security Council Resolution 1244 and UNMIK Regulation No. 1999/1, as amended.

TERMS AND CONDITIONS

Article I: THE CONCESSION

A. THE CONCESSION GRANT

Grantor hereby grants to Grantee the right to manage, operate, maintain, improve and exploit the industrial and commercial facilities located in _____, Kosovo, known as the _____ (the "Facilities") for the purpose of _____ in Kosovo, under the terms and conditions provided herein.

B. GEOGRAPHIC AREA OF THE CONCESSION

This Concession is limited to the geographic area in _____, Kosovo that is described in Exhibit 1 hereto (the "Geographic Area").

C. TERM OF THE CONCESSION

The term of this Concession (the "Term") is 10 years from the Effective Date of this Concession Contract, unless terminated earlier pursuant to the Early Termination provisions hereof.

D. RESTRICTIONS ON USE

1. The Grantee shall not operate in the Geographic Area or use the Facilities for any purpose other than the performance of this Concession Contract.
2. The Grantee shall not remove any assets used or capable of use under this Concession Contract from the Geographic Area without the written consent of Grantor.

Article II. COVENANTS AND WARRANTIES BY GRANTEE

- A. Grantee warrants that concerning its business registration:

1. It is a duly constituted corporation organized and existing under the laws of Kosovo;
2. It is in good standing under such laws;
3. It has registered as such under UNMIK Regulation No. 2000/8;
4. Provisional Registration Number in Kosovo is _____;
5. Both its form of doing business and Registration Number are valid and subsisting, and it will remain in good standing during the Term of this Concession Contract and as provided under "Continuation of Rights and Duties" as provided in paragraph G, Article IV of this Contract; and
6. Its address is: _____

B. Grantee warrants that concerning its financial status:

1. Exhibit 2 hereto is a true and correct copy of Grantee's latest audited financial statements dated _____ as of, and for the period ended, _____. The financial statements consist of an Income Statement and a Balance Sheet. Grantee warrants that Exhibit 2 fairly represents its financial condition according to International Accounting Standards on the dates thereof and on the date of this Concession Contract.
2. Grantee's best estimate of the total amount of financing required by it to perform the terms and conditions of this Concession Contract is _____ DM.
3. In order to perform its obligations under this Concession Contract Grantee warrants that it has obtained financing from the following source(s) and in the amount of _____ DM from [name and location of lending institution(s)]; and it has available for use in performing its obligations under this Concession Contract _____ of its own funds as indicated in Exhibit 2.
4. As of the Effective Date of this Concession Contract, Grantee has or will have complied with all applicable tax and customs obligations under the laws applicable in Kosovo.

C. Grantee warrants that it has inspected the Facilities and the Geographic Area and accepts them as is, in the condition in which they were when inspected, and covenants that it shall not assert any claim against the Grantor on account of any condition of the Facilities or the Geographic Area, whether such condition is open and obvious, difficult to discover upon a reasonable inspection or hidden and impossible to discover.

D. Grantee covenants that it will invest at least _____ DM in the Facilities in accordance with the Investment Plan and Schedule attached hereto as Exhibit 3.

[E. Prior to the Effective Date, Grantee shall form a new corporation ("Subsidiary") under the laws of Kosovo, headquartered in Prishtina, to be used solely to perform Grantee's obligations and receive its benefits under this Concession Contract. Such corporation shall (1) be and

remain a wholly-owned subsidiary of Grantee during the Term, (2) be registered under UNMIK Regulation No. 2000/8 and be and remain in good standing under the laws of Kosovo, (3) register under UNMIK/Reg/2001/6 On Business Organizations when such registration becomes possible and (4) perform Grantee's obligations hereunder. Grantee shall remain liable under this Concession Contract and guarantees such subsidiary's performance hereunder.]

Article III. RESPONSIBILITIES OF GRANTEE UNDER THE CONCESSION

A. PAYMENTS BY GRANTEE

1. The _____ DM deposit made by the Grantee with its tender offer for this Concession shall not be refunded to but shall remain the property of the Grantor.
2. Concurrent with the execution of this Concession Contract, Grantee shall make a refundable payment to the Grantor of _____ DM, returnable at the expiration or early termination of this Contract, provided Grantee is not in breach or default hereof.
3. Grantee shall pay to the Grantor an annual rental fee of _____ DM, payable in advance in quarterly installments at least 3 days prior to the first day of the quarter to which it relates.
4. Grantee shall pay as additional rent, the sum of ____% of annual invoice billings (less returns and allowances) within 45 days following the end of each calendar year.
5. All payments to the Grantor shall be made to a bank account designated in writing by the Grantor. Grantee shall furnish to Grantor a deposit slip or other written evidence confirming the amount and date of each payment and the account to which payment was made together with the information required below under the heading "Reports by Grantee," item 1.

B. CONDITIONS PRECEDENT, PERFORMANCE REQUIREMENTS AND EMPLOYMENT PLAN

1. The Grantee's rights under this Concession Contract are conditioned upon the attachment as Exhibit 4 of a listing, as of the date thereon, of all the equipment, machinery and appurtenances presently located in the Geographic Area and constituting the assets of the Facilities. Such Exhibit 4 shall be signed by both parties and a representative of the [company owning the Facilities] ("Company") and attached to this Contract.
2. The Grantee shall comply with the Investment Plan and Schedule, the Performance Requirements and Employment Plan and Schedule and the related time schedules that are attached hereto as Exhibits 3, 5 and 6, respectively. Any failure of the Grantee to perform in accordance with any of the requirements in Exhibit 3, 5 or 6 on the dates specified in such exhibits may be declared an Event of Default under this Contract.
3. The Grantee shall first employ employees of the Facilities and then Kosovar personnel in its operations to the extent that qualified personnel are available in all classifications of full-time employment. The Grantee shall provide adequate training in order to qualify these personnel for the various classifications of employees.
4. The Grantee may employ such non-Kosovars as it reasonably believes are needed to carry out the operations of the Facilities successfully. The Grantor will use

reasonable efforts to cause all necessary work permits, visas and other required documentation to be issued without delay, in accordance with applicable law.

C. REPORTS BY GRANTEE

The Grantee shall deliver to the Grantor in the manner provided by the notice provision of this Concession Contract the following reports:

1. A report accompanying each payment detailing the amount of the payment due from Grantee under this Concession Contract, together with the supporting data;
2. A report notifying the Grantor of the occurrence of an Event of Default or breach of this Concession Contract within three business days of its occurrence;
3. A report notifying the Grantor of any notice from any authority of any license or permit required or any tax due or any environmental or other work or repairs needed or any violation of any regulation or rule, together with a copy of such notice if written, within three business days after receiving such notice;
4. A report attaching Grantee's quarterly and annual financial statements [including those of the subsidiary corporation conducting the activities hereunder], within five business days after the statements have been prepared, which must be not more than 30 days after the end of the quarter or 75 days after the end of the year upon which they report;
5. With respect to the Investment Plan and Schedule of Exhibit 3, the Performance Requirements of Exhibit 5 and the Employment Plan and Schedule of Exhibit 6 and their respective time schedules, a quarterly report of the required performances with dates thereof, within 10 business days after the end of the quarter that is the subject of the report; and
6. A report reflecting the operations and results of operations under this Concession Contract, at least quarterly within 30 days after the end of the quarter to which the report relates.

D. ENVIRONMENTAL STANDARDS AND SAFEGUARDS

In performing the Concession and in connection with all of the Grantee's activities, the Grantee shall install and utilize such safety devices, observe such safety precautions and observe all environmental regulations that apply in Kosovo. The Grantee's duties under this Concession Contract include the duty to ensure that the local environment is not damaged by any of its operations under this Concession Contract.

E. MAINTENANCE AND REPAIRS

At its own expense, Grantee will maintain the Facilities and the Geographic Area in good repair, including repair or replacement as necessary of any defective parts or equipment.

F. RECORDS

The Grantee shall maintain in Kosovo and according to applicable accounting standards accurate books and records reflecting the operations and the results thereof pursuant to this Concession Contract. The Grantee shall prepare annual financial statements of the Grantee [and its subsidiary] which shall be audited by an internationally recognized auditing firm. The

books and records shall be kept and maintained for not less than four years following the expiration or effective date of termination of this Concession Contract. At the expiration or termination of this Concession Contract, Grantee shall make and deliver to Grantor copies of such books and records.

Article IV: TERMINATION AND EXPIRATION OF THIS CONTRACT

A. EXPIRATION

Unless earlier terminated under the conditions below, this Concession Contract will expire at the end of the Term.

B. DEFAULT

Each of the following, without limitation, is an Event of Default:

1. by the Grantee:
 - a. The revocation of the Grantee's provisional or permanent business registration [or that of its subsidiary];
 - b. The revocation of, lapse of or failure to renew any license, franchise or permit required for Grantee [and/or its subsidiary] to carry on the business activity contemplated by this Concession Contract;
 - c. The insolvency of the Grantee [and/or its subsidiary] or the filing of any bankruptcy petition by or against the Grantee [and/or its subsidiary];
 - d. The placing of a lien against any of the assets needed to carry on the business activity contemplated by this Concession Contract except for the financing of equipment acquisitions with the Grantor's prior written consent;
 - e. The sale, transfer or destruction of any of the capital assets needed to carry on the business activity contemplated by this Concession Contract;
 - f. Failure to pay taxes when due, or to comply with tax, accounting, or custom regulations or administrative instructions;
 - g. The reasonable belief by the Grantor that the Grantee's principals [or those of its subsidiary] have committed or are about to commit a criminal felony;
 - h. The purported assignment by the Grantee [and/or its subsidiary] of this Concession Contract or any part thereof or rights thereunder, including the assets or premises of the Facilities, without the written consent of the Grantor;
 - i. Submission by the Grantee or determination by UNMIK that the Grantee has submitted to UNMIK any material false statements or other representations upon which UNMIK relied in the course of its decision to make this Contract with the Grantee;

j. The failure of the Grantee [and/or its subsidiary] to comply with any final decision by any court or arbitral tribunal in a controversy arising from this Concession Contract;

k. The breach by the Grantee [and/or its subsidiary] of any term, obligation, provision or condition of this Concession Contract or any law of Kosovo.

2. by the Grantor:

The breach by the Grantor of any term, obligation, provision or condition of this Concession Contract or any law of Kosovo.

C. CURE OF DEFAULT OR BREACH

Within five business days after either party shall have discovered or been informed of any Event of Default or breach, such party shall notify the other party of that Event of Default or breach. The party in breach or default shall have ten business days after receiving the notice to cure the default or breach. If the party in breach or default fails to cure the default or breach within that time, the other party shall have the option to: (1) terminate the Concession Contract and pursue all remedies available; or (2) continue the Concession Contract and pursue all remedies available.

D. NOTICE TO TERMINATE

If a party elects the option to terminate the Concession Contract under paragraph C, it shall give written notice to the other party, within 20 business days following the notice of the Event of Default or other breach, of its intent to terminate specifying the effective date of such termination.

E. DISPOSITION OF ASSETS UPON EXPIRATION OR EARLY TERMINATION

Upon the expiration or early termination of this Concession Contract:

1. The Facilities shall become subject to the exclusive right of administration by the Grantor or its successor without payment of any kind to the Grantee [or its subsidiary]; and

2. The Grantee shall have no continuing interest in the Facilities or the Geographic Area. All assets and improvements made by the Grantee shall become the property of the Grantor (or its successor) or the Company as the Grantor or its successor elects without payment of any kind to the Grantee [or its subsidiary].

3. The Grantee shall surrender the Geographic Area and the Facilities, including any investments in either made by the Grantee in accordance with Exhibit 3, in good and safe working order at the moment of expiration or termination of this Concession Contract.

F. HOLD OVER

In addition to and without limitation of other rights and remedies of the Grantor in case of breach by the Grantee of the provisions of Article IV(D), the Grantor may seek payment from the Grantee, for the period of time that the Grantee fails to vacate any part of the Facilities or the

Geographic Area or turn over such assets, an amount based upon the average payments to be made by the Grantee under Article III and the fair market value of the Geographic Area. Such payments shall not, however, confer any right to the Grantee to remain in possession.

G. CONTINUATION OF RIGHTS AND DUTIES

Rights and duties of the Grantor and the Grantee that have come into effect prior to the effective date of termination or expiration of this Concession Contract shall continue in effect after such effective date of termination or expiration for the time necessary to fully exercise such rights and discharge such duties.

Article V: GRANTEE'S RIGHT OF QUIET ENJOYMENT

Provided that no Event of Default or breach has occurred, the Grantee is entitled to operate the facilities as a _____ and for no other purpose in accordance with normal business practices without disturbance by Grantor. UNMIK will use its reasonable efforts to shield the operation of the Facilities from the claims of creditors, owners and others that arose before the Effective Date of this Concession Contract; but UNMIK has no obligation to pay or otherwise satisfy any such claims.

Without limitation such claims could be claims of customers, workforce, tax authorities and suppliers. Grantee shall not be liable for any such claims arising before the Effective Date of this Contract. Should Grantee be approached by any such creditor or other claimant Grantee shall do nothing other than refer such creditor or other claimant to the Grantor.

In case the right of quiet enjoyment is disturbed temporarily Grantor shall adequately compensate Grantee for the period of disturbance. Adequate compensation for this purpose shall be based upon a discounted cash-flow/net-present-value calculation, whereby it is Grantee's obligation to use its reasonable efforts to keep damage as low as possible. Grantee shall have no right to or in any claims belonging to the Company.

Article VI: DISPUTE RESOLUTION

1. If any dispute arises concerning this Concession Contract, Grantor and Grantee shall attempt for a period not to exceed 30 days to settle the dispute amicably.

2. If an amicable settlement has not been reached during that 30-day period, either Grantor or Grantee may seek to have the dispute resolved by a single arbitrator in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL). Grantor and Grantee, pursuant to UNCITRAL Arbitration Rules, hereby designate as their "appointing authority" the Secretary-General of the Permanent Court of Arbitration at The Hague or, in default of such appointment, the Secretary General of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States or such appointing authority as he designates. Arbitration proceedings shall take place in Vienna, Austria. Arbitration proceedings shall be conducted in the English language. Any arbitral award shall be final and not subject to appeal in any court. Execution of any such award may be sought in any court of competent jurisdiction.

Article VII: REMEDIES AND OTHER RIGHTS OF GRANTOR AND GRANTEE

A. REMEDIES UPON TERMINATION FOR DEFAULT OR OTHER BREACH OF THE PROVISIONS OF THIS CONTRACT

1. In addition to any other remedies the Grantor may have, upon an Event of Default or breach by the Grantee, the Grantor without notice or demand may re-enter the Facilities and remove any property of the Grantee found therein with no liability therefor, and may enter into another concession contract with someone other than the Grantee or take other action concerning the Facilities and the Geographic Area; but any such action by the Grantor shall not release the Grantee from any of its obligations under this Concession Contract.

2. Without any further demand by the Grantor and in addition to any or all of the foregoing remedies all payments provided herein in the paragraph entitled "Payments by Grantee" in paragraph A under Article III for the term of this Concession Contract through the date Grantee vacates the Facilities shall become immediately due and payable and Grantor shall be entitled to seek by arbitration such damages as it may claim to be appropriate.

B. GRANTOR'S RIGHT OF ENTRY FOR INSPECTION

The Grantee shall keep the Facilities and the Geographic Area open at all reasonable times for the inspection thereof by the Grantor. The Grantor or its duly authorized agents shall have the right upon 24 hours notice to enter (a) the Geographic Area and the Facilities for such inspection and (b) any place where Grantee maintains the books and records referred to in Article III above for the purpose of inspecting and copying them. The notice may be by telephone. The records that the Grantor may inspect and copy include without limitation both written and computerized records. The Grantor or its duly authorized agents may inspect such records during normal business hours Monday through Friday, holidays excepted, of every week.

Article VIII: MISCELLANEOUS PROVISIONS

A. Entire Agreement: This Concession Contract is the entire agreement of the Grantor and the Grantee. Nothing not contained herein is a part hereof. No representations, warranties or agreements oral or written have been made by the Grantor or relied upon by the Grantee that are not expressly included in this written Concession Contract. Notwithstanding the foregoing, the Non-Disclosure Agreement between the parties dated _____, 2001, shall remain in force to the extent it is not inconsistent with this Concession Contract. For this purpose, in the event of a dispute arising under the Non-Disclosure Agreement or this Concession Contract relating to its "Confidentiality" in paragraph F, below, Article VI captioned "Dispute Resolution" of this Concession Contract shall prevail.

B. Modification or Amendment: This Concession Contract can be modified or amended only by a writing signed by the Grantor and the Grantee.

C. Severability: If any part of this Concession Contract is adjudged to be void, the remaining parts will continue in effect.

D. Assignability: Neither this Concession Contract nor any part thereof, including the assets and premises of the Facilities or the Geographic Area, may be assigned or sublet by the

Grantee without the written consent of the Grantor. Any attempt by the Grantee to assign or sublet this Concession Contract or any part thereof, including the assets and premises, without the written consent of the Grantor is void and a breach and an Event of Default. The Grantee shall be deemed to have "assigned" this Concession Contract if it permits (a) the operations in the Facilities or the Geographic Area to be managed by persons who are not employees of the Grantee [or its subsidiary] or (b) the management structure or the ownership of the Grantee [or its subsidiary] to be materially altered by way of the admission into partnership or joint venture of any third party. This Concession Contract may be assigned by the Grantor and is binding upon and shall inure to the benefit of the Grantor's successors and assigns and the Grantee's successors and permitted assigns.

E. Title to the Facilities or Geographic Area: Grantee acknowledges that neither Grantor nor anyone acting on its behalf has made any representation or warranty concerning who owns the Company, its assets or the Geographic Area. Nevertheless, for the purpose of this Concession Contract, the Company is deemed to be in the administration of UNMIK. Grantee shall treat Grantor as the sole owner thereof. Neither Grantee [nor its subsidiary] may mortgage, pledge or otherwise encumber the Facilities or the Geographic Area.

F. Confidentiality: If the Grantee receives any confidential information in the course of negotiating or performing this Concession Contract, so long as such information remains confidential Grantee shall maintain the confidentiality of all such information at all times including after the expiration or termination of this Concession Contract and shall not disclose any such information to any person not authorized in advance of disclosure in a signed writing by the Grantor to receive such information and shall not use or permit the use of such confidential information except as permitted herein. Furthermore, Grantee shall take reasonable precautions to see that all of its servants, employees and other agents do not disclose or improperly use such confidential information.

G. Utilities Payments: Grantee shall pay when due all utility charges and other costs and expenses arising after the Effective Date in connection with the Facilities and the Geographic Area.

H. Insurance: Grantee shall obtain, pay for and keep in force during the term of this Concession Contract the following policies of insurance, each of which shall be approved in writing in advance by Grantor and run in favor of the Grantor, the Grantee, [its subsidiary] and the Company as their respective interests may appear: (a) a performance bond in the amount of _____ DM, (b) a policy or policies covering fire, explosion, flood, earthquake and all other risks that customarily are insured against in Kosovo by prudent operators of facilities similar to the Facilities; and (c) a public general-liability insurance policy in an amount specified by Grantor relating to this Concession Contract protecting the Grantor, the United Nations, UNMIK and all of its or their employees, agents and advisors. All such policies must be written by a company or companies and in coverage amounts approved by the Grantor and are subject to annual review and approval or disapproval by the Grantor. The original copies of such policies, together with receipts showing payment of premiums thereon, shall be delivered to and remain in the possession of the Grantor.

I. Licenses or other Permits: Before commencing or continuing any activities pursuant to this Concession Contract, Grantee shall obtain and maintain all licenses and other permits required by applicable law.

J. Prevention of Waste: At its own expense, Grantee shall exercise due care and diligence to keep the Facilities and the Geographic Area in good working order and at the expiration or termination of this Concession Contract shall deliver them to the Grantor in good working order, normal wear and tear excepted.

K. Prevention of Nuisance: Grantee shall exercise due care and diligence to ensure that the Facilities and the Geographic Area do not become a nuisance to the public or the surrounding area.

L. Repairs: Grantor shall not be responsible to make any repairs of the Facilities or the Geographic Area. Grantee shall make all necessary repairs, maintenance and improvements to the Facilities and the Geographic Area and will repair or replace any defective parts or equipment.

M. Force Majeure: Any failure by either Grantor or Grantee to carry out any of its respective obligations under this Concession Contract other than the Grantee's obligation to make payments of money shall not be deemed a breach or an Event of Default if such failure is caused by *force majeure*. If, through *force majeure*, the fulfillment by Grantor or Grantee of any terms or conditions of this Concession Contract is delayed, curtailed or prevented beyond the control of the non-performing Grantor or Grantee then, anything in this Concession Contract to the contrary notwithstanding, the time for carrying out the activity thereby affected shall be extended for a period of time equal to the total of the periods during which such causes or their effects are operative. Only such loss, damage or injury as could not have been avoided by the taking of prudent precautions, due care or reasonable alternative measures shall be regarded as the consequence of any failure caused by *force majeure*. Non-exclusive examples of *force majeure* are: wars or other military conflicts, insurrections, civil disturbances, blockades, embargos, riots, epidemics, earthquakes, storms, floods or other debilitating weather conditions, explosions, fires, lightning, orders or directions of any government *de jure* or *de facto* or instrumentality or subdivision thereof and acts of God or the public enemy.

N. Duties and Rights Upon Occurrence of Force Majeure: The party whose ability to perform its obligations is affected by *force majeure* shall within a reasonable time after the occurrence notify the other party thereof in writing, stating the *force majeure* cause and the details thereof. Thereafter, the Grantor and the Grantee shall make reasonable efforts to remove the cause and resume performance. Continuance of *force majeure* for 60 consecutive days gives either the Grantor or the Grantee the right to terminate this Concession Contract upon 30 days prior written notice.

O. Hold Harmless, Indemnity and Waiver: Grantee shall indemnify and hold harmless the United Nations, UNMIK and the Grantor and each and all of its or their employees, agents and advisors from and against any and all liability, losses, damages, expenses, costs of action, suits, interest, fines, penalties, claims and judgments arising from or in any way related to the entering into or the performance or non-performance of this Concession Contract. Grantee hereby waives as against the Grantor, the United Nations and UNMIK and the successors, assignees and designees of any of them, as well as its or their employees, agents and advisors, any and all claims relating to its or their capacity to enter into this Concession Contract or grant any interest in the Facilities, the Geographic Area or any asset or undertaking involved in this Concession Contract.

P. Privileges and Immunities: Nothing in or relating to this Concession Contract is a waiver, express or implied, of any of the privileges and immunities of the United Nations, including its subsidiary organs.

Q. Waiver: Failure of the Grantor promptly or fully to enforce any obligation or penalty against the Grantee shall not be a waiver of any of its rights under this Concession Contract and the Grantor nonetheless may fully enforce all such obligations or penalties at any time allowed by law.

R. Use of Subcontractors: Subject to paragraph D of this Article VIII, the Grantee may use subcontractors either (a) with the consent of the Grantor or (b) on a routine, commercial basis in the performance of minor matters ancillary and incidental to the main businesses of the Grantee. If the Grantee uses a subcontractor in the performance of this Concession Contract with or without the Grantor's consent, the Grantee nonetheless shall exercise and maintain full control and management, assume full responsibility for all activities undertaken by its subcontractors and does hereby hold Grantor harmless from any liability or damages on account of such activities and agrees to indemnify Grantor on account thereof.

S. Cooperation of Grantor and Grantee: Grantor and Grantee will cooperate fully with each other in all matters in connection with this Concession Contract.

T. Rights Cumulative: All the rights and remedies of the Grantor under this Concession Contract are cumulative and the exercise of one right shall not be in exclusion of, or a waiver of, any additional rights or remedies which the Grantor has.

U. Notices: Any notice required or permitted by this Concession Contract shall be in writing and may be sent via (a) hand delivery, (b) express delivery, (c) facsimile or telephonic transmission if the party initiating the transmission utilizes transmission equipment that records the date and time of each transmission, or (d) electronic mail. Notices to the Grantor shall be sent to:

UNMIK-Pillar IV (E.U. Pillar)
Government Administration Building, 2nd Floor
Attention: Department of Trade and Industry
Mother Theresa Street
Prishtina
Kosovo

Notices to the Grantee shall be sent to:

(FILL IN DETAILS)

V. Counting Time Periods: In respect of any time periods provided herein, the time period shall be counted by including the first day and excluding the last. A "business day" shall be from 0900 to 1700 Kosovo time, on Monday through Friday of each week with holidays excepted. A "quarter" shall be calculated either as the successive three-month period starting with the first of the month in which the Effective Date of the Concession Contract begins or the successive three-month period of the Grantee's financial accounting year, whichever the Grantee may elect by notice to the Grantor.

W. Good business practices. In the execution of the Concession and the acquisition and/or use of any equipment used in such execution, Grantee will conform to good business practices.

X. Expropriation or Loss of Value: In the event of the expropriation of the property or business underlying this Concession Contract or direct action by the Grantor which devalues the Facilities, the Grantee shall be compensated for the ensuing loss of value. The granting of a competing concession outside the Geographic Area shall not be considered a cause for compensation on account of devaluation.

Y. Option to Buy: Provided the Grantee is not in default or breach under this Concession Contract, if during the Term or shortly thereafter UNMIK or its successor decides to sell the Facilities or the Company, the Grantee will be offered a right of first refusal to purchase Grantor's interest in (1) such Facilities or (2) the Company, as the case may be.

Z. Governing Law: This Concession Contract shall be interpreted and enforced in accordance with the laws of the State of New York, United States of America. The Grantor and Grantee agree that the laws of New York State bear a rational nexus to this Concession Contract as well as to the parties.

AA. The Effective Date: The Effective Date of this Concession Contract shall be the latest of the dates on which (a) the conditions precedent have been satisfied, (b) Exhibit 4 has been signed on behalf of each of the parties and a representative of the Company and attached to this Contract, and (c) the date indicated below as the Effective Date.

BB. English Language. This Contract is written in the English language and executed in 4 counterparts plus 4 drafts in the Albanian language. It shall be construed and interpreted in the English-language version which shall control. Any translation into another language is provided as a matter of courtesy.

FILING

A signed original of this Concession Contract shall be filed with the Central Procurement Entity in Kosovo within five business days of its execution.

IN WITNESS WHEREOF and intending to be bound hereby, the parties have caused their duly authorized representatives to inscribe their signatures hereon.

Executed at Prishtina, Kosovo on _____, 2001.

The Effective Date: _____, 2001.

On behalf of UNMIK (the "Grantor")

_____, Date: _____, 2001.

Andrew Bearpark, Deputy Special Representative of the Secretary General
Head of Pillar IV

On behalf of _____ (the "Grantee")

_____, Date: _____, 2001.
_____, President

EXHIBITS

- 1 Geographic Area of the Concession
- 2 Grantee's Financial Statements dated _____, 200 and _____, 200 .
- 3 Investment Plan and Schedule
- 4 Assets of the Facilities
- 5 Performance Requirements
- 6 Employment Plan and Schedule



COALITION PROVISIONAL AUTHORITY
BAGHDAD

ACTION MEMO

December 6, 2003

FOR: The Executive Board

FROM: (b)(6) Private Sector Development, Director
(b)(6) Private Sector Development, Deputy Director

SUBJECT: Ownership transformation program for 2004

The CPA immediate goal: to assist Iraqi government administration in its efforts to revitalize SOEs through so called lease program. CPA proposes only to modify this original program to increase its long run effectiveness and transparency. CPA proposes also to deliver to Iraqi ministries a group of privatization and M&A experts to give the extensive in-house and hands-on advising in organizing and implementation of that program. In the longer run straight sales or other methods of ownership transformation of the SOEs might be proposed.

Most of the Iraqi SOEs lack marketing skills, reliable (or any) accounting data, experience in the market environment, working capital, modern technology. They also need investments. Many are heavily looted. A lot of them are non-operational or only partly operational. All are subsidized obtaining salaries funds, some are subsidized additionally. This situation is obviously unsustainable.

All-encompassing solution for these problems is the privatization program, combined with market oriented macroeconomic reform and also other microeconomic instruments.

However, few weeks ago Iraqi Governing Council refused to accept the privatization plan developed by CPA. The plan included creation of the Ownership Transformation Agency (OTA) which was to be entrusted with majority of SOEs and responsible for their subsequent privatization. Instead, the several ministries have announced and initiated the other plan to revitalize SOEs. Instead of OTA, decentralized (i.e. ministerial) approach has been adopted. Instead of privatization, lease option has been selected.

CPA strategic goal is to make good things happen. All positive initiatives should be fostered. If needed, any assistance should be given.

Therefore CPA should accept lease approach although with two modifications. First, the lease contract should end up with the ownership transfer of the SOE to the lessee. Second, the lease contract should allow the lessee to make necessary employment adjustments in SOE (combined with government funded social safety net for redundant employees).

Private Sector Development has already worked out step-by-step manual how to make the lease transaction. At the moment, Private Sector Development is completing the template lease

UNCLASSIFIED

contract as well as the proposal of social safety net funding. These documents should be delivered to all interested parties (i.e. ministries supervising SOEs) together with the proposal, that CPA may help them delivering full time privatization and M&A experts. Initial talks with the Minister of Industry and Minerals testing suitability of this kind of assistance package received very warm reception.

The program outlined above combines practicability with some strategic goals. First, it is useful right now for the Iraqi officials who manifested very positive initiative concerning SOEs, it also adds new quality (effectiveness and transparency) to this initiative. Second, if adopted on a wider scale, it can be a springboard for the next undertakings. Well established working every-day relations between highly professional experts hired by CPA and Iraqi ministries may result in better mutual understanding and trust. That can facilitate next privatization initiatives encompassing other methods, more suitable for some specific SOEs, methods which are now perceived as not acceptable.

RECOMMENDATION (1): to accept new, low key, decentralized approach towards ownership transformation adopted by Iraqi ministries with lease as the basic present tool to install effective management and attract investments. Original lease idea is to be modified as described above.

OK

Approve: _____ Disapprove: _____ Approve with modification: _____

RECOMMENDATION (2): to prepare social safety net solution, to recognize the funding size needed and funding sources. To implement this solution ASAP as the integral part of the CPA contribution to the lease program.

not enough info to proceed

Approve: _____ Disapprove: _____ Approve with modification: _____

RECOMMENDATION (3): to prepare the group of privatization and M&A experts working in Private Sector Development and attached to the particular Iraqi institutions. To assess the funding size needed to cover their costs. To recognize the funding sources.

OK Prop for funds

Approve: _____ Disapprove: _____ Approve with modification: _____

ATTACHMENTS: NONE

COORDINATION: Economic Development Department/ Marek Belka, Director

• Training
• Subsidies
• bankruptcy

UNCLASSIFIED

No.	Name of Company.	Names of factories.
1	Wasit Co. for Cotton Industries.	Textile & Weave Factory.
2	State Co. for Cotton Industries.	Al-Diwania Textile Factory.
3	State Co. for Woolen Industries.	Al-Nasiria Textile Factory.
4	State Co. for Ready Made Wear Industries.	Ninavah Clothing Factory & Najaf Clothing Factory
5	Sate Co. for Vegetable Oils Industry.	Al-Amin Factory (specialized in producing Soap)
6	State Co. for Dairy products.	Al-Qadisia Dairy Factory & Ninavah Dairy Factory.
7	State Co. for Tobaccos & Cigarettes.	Nessir Cigarettes Factory + Baghdad Cigarettes Factory + Match Factory + Two Printerries.
8	State Co. for Sugar Industry.	Misan Sugar Factory + the Store & Quay in Um-Qasir Port.
9	State Co. for Glass & Ceramics Industry.	Tiles & Ceramic (new + old) + Sanitary Products.
10	Nessir Co. for mechanical Industries.	Structures & Sandwich panels Factory.
11	UR State Co. for Engineering Industries.	Aluminum Factory + Electrical Cables Factory + Cables filled with <u>Jelly Factory</u>
12	Diala Co. for Electrical Industries.	Illumination Cable/Factory.
13	State Co. for Paper Industries.	School Copybooks Factory-Al-Taji (the factory contains four production units: Copybooks, egg cartons, pencils, pressing residuals.
14	Al-Furat State Co. for Chemical Industries.	Woven Sacks Factory + Amylum Factory.
15	State Co. for Batteries Industries.	Babil Factory(1).
16	State Co. for Tires Industries -Najaf	Tires Factory + Rubber production Factory.
17	State Co. for Drugs/Ninavah	Ninavah Drug Factory + Vein Analysis Factory.
18	State Co. for Drugs/Samara	Medical Gas Factory in Baghdad.

DRAFT

~~NOT FOR~~

~~DISTRIBUTION~~

COALITION PROVISIONAL AUTHORITY
BAGHDAD

Leasing Structure

Process:

- A transparent bidding process will be conducted for each SOE lease
- Prior to a closing, the lessor will perform a valuation as well as financial and legal due diligence to obtain a detailed assessment of the SOE to be leased
- Lessor will conduct due diligence on potential lessees to assess credit worthiness and other capabilities and qualifications
- Lessor cannot limit lessee's ability to hire, terminate, reassign, transfer or change the compensation of any SOE employee, except that if an employee's compensation is reduced the employee can elect to be terminated and will qualify for the involuntary termination benefit. Any employee involuntarily terminated after the ownership transition will be entitled to receive the same severance benefit the employee would have received had the SOE still been owned by the Ministry.
- No one who is indebted to an SOE will be permitted to bid on the SOE
- Lessee will submit a business plan that will be agreed to by the lessor
 - The lessee will have the right to restructure the SOE according to the agreed upon business plan
 - The lessee can terminate employees during the lessee period but a severance plan will be provided that at a minimum meets the terms set forth in the Severance Plan that applies to terminated SOE employees
 - The lessee will propose a capital expenditure plan that will address upgrades and maintenance of the SOE plant and equipment
 - At the request of either the lessee or the lessor, the business plan may be modified during the lease period. Both parties need to agree to modifications of the lease period due to substantial changes in markets or manufacturing technology.
 - The lessee must demonstrate in the business plan that lessee has enough working capital and other financing to operate the business

Terms of Sale:

- The lessor will provide a full-time government accountant to reside at the SOE headquarters. This accountant will monitor compliance with the lease agreement and will provide a monthly report on the status of the assets and expenses of the SOE. The lesser agrees to provide all requested information to the lessor's representative

- An independent annual audit of the SOE will be performed by a nationally recognized accounting firm. The annual audit will be made public
- The lessee selection criteria will require that the lessee demonstrate that it has sufficient working capital to operate the SOE
- At closing, the lessee will provide a downpayment no less than 25% of the value of the SOE as determined by the lessor valuation
- The lease period can range from 1-10 years
- The ownership of the SOE must transfer to the lessee upon the final lease payment
- The lessee assumes normal working capital liabilities such as accounts payable and accrued expenses at closing. The lessee will be responsible for all expenses and other liabilities incurred by the SOE during the lease period include salaries, pension expense, other operating operating costs, and environmental liabilities.
- Should the lessor conclude that the lessee business plan is not being adhered to which would include but not be limited to:
 - Failure to maintain Property Plant and Equipment
 - Misappropriation of assets or income
 - Abandonment of business plan
 - Other purposeful action by management that is counter to the interests of the SOE

The lessor has the right to terminate the lease and the lessee's deposit will be forfeited

- Lease payments will be made no less than on a quarterly basis
- The lessee will not withdraw funds including compensation and other payments to owners, or otherwise reduce, its net investment below 25% of the SOE valuation during the lease period. However, lease payments may be made from SOE profits.
- If lessee fails to make two lease payments, the lessor can either implement a penalty clause equal to one lease payment or to terminate the lease.
- If the lease is terminated due to the failure of the lessee to make lease payments, all previous payments are forfeited by the lessee
- Any individual who owns 10% or more, or a group of individuals who together will own 50% or more, of the ultimate ownership of the lease must provide guarantees of the unmade lease payments proportional to their ownership interest in the SOE upon transfer of ownership
- A dispute resolution mechanism, preferably arbitration, will be part of the agreement
- Standard affirmative and negative covenants typical of a senior asset-based loan agreement will be included in the agreement and will include but not be limited to:
 - No liens, transfer or abandonment of SOE assets
 - All Iraqi laws will be adhered to including labor and environmental laws
 - Standard anti conflict provisions
 - The company can't make loans
 -
- The lessee will maintain proper insurance during the lease period
- No single customer credit (or aggregate of affiliates) can exceed 10% of the appraised value of the business
- The lease is not assignable without the approval of the lessor

LEASE SALE AGREEMENT

BETWEEN

[THE OWNERSHIP TRANSFORMATION TRUST]

AS THE TRUST

AND

[]

AS THE PURCHASER

AND

[]

AS GUARANTOR

DATED AS OF []

TABLE OF CONTENTS

This is a LEASE SALE AGREEMENT, (the "Agreement") dated as of [], between (1) [The Ownership Transformation Trust] (the "Trust"), having an address at [], (2) [], a company recognized under the laws of [] (the "Purchaser"), having an address at [] and (3) [], a company recognized under the laws of [] (the "Guarantor"), having an address at [].

Whereas pursuant to the Iraqi Ownership and Transformation Order (the "Order") the Trust owns the entire issued share capital of _____ (the "Company") and the purpose of the Order is to achieve the fair, equitable and expeditious privatization of Iraq state-owned enterprises to make them or their assets more productive, profitable and efficiently operated in the private sector,

Whereas the Trust has conducted a valuation of the Company and the Purchaser has submitted to the Trust and the Trust has approved the Business Plan (as defined below),

Whereas the Trust wishes to sell and the Purchaser wishes to operate the Business and to acquire the Company,

Whereas the Guarantor[s] being [an individual owning ten percent (10%) or more of the ultimate ownership of the Purchaser] [a group of individuals who together own fifty percent (50%) or more of the ultimate ownership of the Purchaser] who wish[es] to guarantee the payment of the Rental Payments (as defined below),

Now, therefore, in consideration of the mutual covenants, representations, warranties and agreements contained in this Agreement and intending to be legally bound, the parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Specific Definitions. As used in this Agreement the following terms shall have the meanings set forth below:

"Business" means the _____ business carried out by the Company from time to time.

"Business Plan" shall mean the business plan set forth as Annex ____.

"Commencement Date" shall have the definition set forth in Section 2.7.

"Encumbrance" shall mean any lien, charge, pledge, conditional sale or other title retention agreement or other encumbrance.

"GAAP" means generally accepted accounting principles, consistently applied [under International Financial Reporting Standards]. All financial determinations made under this Agreement shall be made in accordance with GAAP.

"Indebtedness" shall mean, with respect to any Person, any liability, whether or not contingent, without duplication (a) in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof) or evidenced by bonds, notes, debentures or similar instruments; (b) representing the balance deferred and unpaid of the purchase price of any property or services (except any such balance that constitutes an account payable to a trade creditor (whether or not an Affiliate) or accrual with respect to any other amount created, incurred, assumed or guaranteed by such Person in the ordinary course of business of such Person in connection with obtaining goods, materials or services that is not overdue by more than ninety (90) days, unless the trade payable or accrual is being contested in good faith); (c) all obligations as lessee under leases which have been, or should be, in accordance with GAAP recorded as Capital Leases; (d) any contractual obligation, contingent or otherwise, of such Person to pay or be liable for the payment of any indebtedness described in this definition of another Person, including, without limitation, any such indebtedness, directly or indirectly guaranteed, or any agreement to purchase, repurchase, or otherwise acquire such indebtedness, obligation or liability or any security therefor, or to provide funds for the payment or discharge thereof, or to maintain solvency, assets, level of income, or other financial condition; (e) redemption or repurchase obligations under any Capital Stock or other equity securities issued by such Person if such redemption or repurchase obligation is required to be made prior to the repayment of all Obligations and Foreign Obligations; (f) all reimbursement obligations and other liabilities of such Person with respect to surety bonds (whether bid, performance or otherwise), letters of credit, banker's acceptances, drafts or similar documents or instruments issued for such Person's account; (g) all indebtedness of such Person in respect of indebtedness of another Person for borrowed money or indebtedness of another Person otherwise described in this definition which is secured by any consensual lien, security interest, charge, collateral assignment, conditional sale, mortgage, deed of trust, or other encumbrance on any asset of such Person, whether or not such obligations, liabilities or indebtedness are assumed by or are a personal liability of such Person, all as of such time; and (h) all obligations, liabilities and indebtedness of such Person (marked to market) arising under swap agreements, cap agreements and collar agreements and other agreements or arrangements designed to protect such person against fluctuations in interest rates or currency or commodity values.

"Permitted Encumbrance" shall mean any and all zoning, building, and other statutory or regulatory conditions and restrictions of record, and Encumbrances for taxes and assessments and for delivery of goods and services not yet due and payable.

ARTICLE II

LEASE AND SALE OF THE BUSINESS ASSETS, GUARANTEE

Section 2.1 Lease of the Company

(a) In consideration of the payments and covenants herein stipulated to be paid and performed, the Trust hereby lets to the Purchaser, and the Purchaser hereby lets from the Trust, commencing on the Commencement Date for the Term herein described, the shares of capital stock of the Company described on Annex __ (the "**Shares**"), all upon the terms and conditions herein specified.

(b) At the Commencement Date, the Purchaser shall assume and agree to pay, perform or otherwise discharge when due, in accordance with their respective terms and subject to the respective conditions thereof, all liabilities relating to the Company, including without limitation, (a) the land described in Part 1 of Annex __ hereto including all buildings, structures and other improvements constructed and to be constructed thereon (including all building equipment and fixtures) and all easements, rights and appurtenances relating thereto (the "**Property**"), and (b) the assets described in Part 2 of Annex __ hereto including all plant and equipment on the Property (the "**Assets**" and, together with the Property, the "**Business Assets**"), and all liabilities arising from or relating thereto.

Section 2.2. Title and Condition.

The Shares are let and purchased subject to (i) the existing state of the title as of the Commencement Date, (ii) any state of facts which an accurate survey or physical inspection thereof might show, (iii) all zoning regulations, restrictions, rules and ordinances, building restrictions and other laws and regulations now in effect or hereafter adopted by any governmental authority having jurisdiction, and (iv) the condition of any buildings, structures and other improvements located thereon, as of the commencement of the Term of this Agreement, without representation or warranty by the Trust. The Purchaser represents that it is in possession of the Business Assets, has thoroughly familiarized itself with the Business Assets in all respects and has examined the title to, zoning and other restrictions applicable to and the condition of the Business Assets and has found the same to be satisfactory to it.

Section 2.3. Use of Business Assets.

Subject to applicable Legal Requirements, the Purchaser may use the Business Assets only for the purposes of the Business and as set out in the Business Plan.

Section 2.4. Term

(a) Subject to the terms and conditions hereof, the Purchaser shall have and hold the Business Assets for a term of [] years (the "**Term**") commencing on the Commencement Date, unless this Agreement shall be sooner terminated pursuant to the terms hereof.

(b) This Agreement shall not terminate, nor shall the Purchaser have any right to terminate this Agreement, nor shall the Purchaser be entitled to any abatement of rent, nor shall the obligations of the Purchaser under this Agreement be affected, by reason of any of the following; (i) any damage to or destruction of all or any part of the Business Assets from whatever cause; (ii) the taking of the Business Assets or any portion thereof by condemnation, requisition or otherwise; (iii) the prohibition, limitation or restriction of the Purchaser's use of all or any part of the Business Assets, or any interference with such use; (iv) the Purchaser's acquisition or ownership of all or any part of the Business Assets otherwise than as expressly provided herein; (v) any default on the part of the Trust under this Agreement, or under any other agreement to which the Trust and the Purchaser may be parties; (vi) the failure of the Trust to deliver possession of the Business Assets on the commencement of the Term; or (vii) any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding. It is the intention of the parties hereto that the obligations of the Purchaser hereunder shall be separate and independent covenants and agreements, that the Rental Payments and the Additional Payments shall continue to be payable in all events and that the obligations of the Purchaser hereunder shall continue unaffected, unless the requirement to pay or perform the same shall have been terminated pursuant to an express provision of this Agreement.

(c) The Purchaser agrees that it will remain obligated under this Agreement in accordance with its terms, and that it will not take any action to terminate, rescind or avoid this Agreement, notwithstanding (i) the dissolution, reorganization or winding-up or other proceeding affecting the Trust or its successors in interest or (ii) any action with respect to this Agreement which may be taken by any trustee or receiver of the Trust or its successors in interest or by any court in any such proceeding.

Section 2.5. Payment.

(a) The Purchaser covenants to pay to the Trust as rent for the Shares during the Term of this Agreement, the amounts and at such times set forth on Annex 2.5 hereto (the "**Rental Payments**"), by wire or other electronic transfer of immediately available funds to the Trust at the address set forth above and/or to such other person or such other place or account as the Trust from time to time may designate to the Purchaser in writing.

(b) The Purchaser covenants that all other amounts, liabilities and obligations which the Purchaser assumes or agrees to pay or discharge pursuant to this Agreement together with every fine, penalty, interest and cost which may be added for nonpayment or late payment thereof in accordance with this Agreement, shall constitute Additional Payment hereunder (the "**Additional Payments**").

(c) The Rental Payments and Additional Payments shall be paid by Purchaser in accordance with the terms hereof without notice or demand (except as expressly provided herein with respect to notices and demands), setoff, counterclaim, abatement, suspension, deduction or defense.

(d) If the Purchaser and the Guarantor shall fail to make two Rental Payments within 5 Business Days of their due date pursuant to the terms of this Subsection 2.5, the Trust may at its sole discretion elect either (i) to treat such failure to pay as an Event

of Default pursuant to Section 7 below, or (ii) demand and the Purchaser shall immediately pay a penalty payment equal to the second Rental Payment then outstanding in addition to the Rental Payments then due.

Section 2.6 Purchase

(a) Subject to Article VIII, the Purchaser may purchase the Shares and the Company in their then existing state and condition (i) at any time during the Term of this Agreement by the payment of all Rental Payments remaining due and any Additional Payment then outstanding; and (ii) at the expiration of the Term of this Agreement on the payment of the last Rental Payment and any Additional Payment then outstanding.

(b) Until the payment of all sums indicated in this Subsection 2.6, the Shares and the Company shall remain the sole property of the Trust and the Purchaser shall be a mere lessee thereof.

Section 2.7 Trust's Commencement Date Conditions

Commencement of the Agreement is subject to the fulfillment of each of the following conditions by the Purchaser, any of which may be waived by the Trust in its sole discretion (the date of such fulfillment or waiver of all of the following conditions, the "**Commencement Date**"):

(a) all representations and warranties of the Purchaser contained in this Agreement shall be true and correct in all material respects (in the case of any representation or warranty without any materiality qualification) or in all respects (in the case of any representation or warranty containing any materiality qualification) on the date hereof and as of the Commencement Date except for (i) changes expressly permitted by this Agreement and (ii) the representations and warranties that address matters as of a particular date which need to be true in all material respects (in the case of any representation or warranty without any materiality qualification) or in all respects (in the case of any representation or warranty containing any materiality qualification) only as of the particular date in question; and

(b) the Purchaser shall have performed in all respects all covenants required to be performed by it hereunder on or prior to the Commencement Date and shall tender the cash and required documents at the Commencement Date as set forth in Subsections 2.5(a) and 2.8.

Section 2.8 Commencement Date Deliveries

On the Commencement Date, each party agrees on its own behalf, as applicable, that the deliveries specified below will have been made by the respective parties to this Agreement in order to consummate the transaction contemplated hereby:

(a) Deliveries by the Trust:

(i) [Powers of Attorney as attached hereto as Annex ____]

(b) Deliveries by the Purchaser:

- (i) Insurance Certificates; and
- (ii) the initial Rental Payment at the Commencement Date as set forth in Annex 2.5.

Section 2.9 Purchase Date Deliveries

On the date on which Purchaser has paid in full to Trust all of the Rental Payments remaining due and any Additional Payment then outstanding pursuant to Section 2.6 (the "**Purchase Date**"), the Trust shall convey, transfer and assign to, and vest in the Purchaser, legal title to the Shares, [free and clear of all Encumbrances]. The Purchaser shall be responsible for the recording and registration of all assignments and instruments to effect the matters referred to in this Section 2.9.

Section 2.10 Guarantee

(a) In consideration of the Trust entering into this Agreement with the Purchaser at the request of the Guarantor[s] (and for other valuable consideration the receipt and sufficiency of which the Guarantor[s] acknowledges), the Guarantor[s] guarantees to the Trust [, on a joint and several basis,] the due and punctual payment of all Rental Payments and Additional Payments due by the Purchaser to the Trust.

(b) Each Guarantor's guarantee ("**Guarantee**") shall constitute a direct primary and unconditional liability to pay on demand to the Trust any sum or sums which the Purchaser may become liable to pay or perform on demand any obligations of the Purchaser arising under this Agreement without the need for any claim or recourse on the part of the Trust against the Purchaser and shall be unaffected by any time or indulgence granted to the Purchaser by the Trust or any variation, act, omission, deed or matter of whatever description whereby the Guarantor[s] as surety only would or might have been released.

(c) The Guarantee shall not be affected by any legal limitation disability or other circumstances (including for the avoidance of doubt any winding up or cessation of trade) relating to the Purchaser or any irregularity, unenforceability or invalidity of any obligations of the Purchaser under this Agreement.

(d) The Guarantee shall be a continuing guarantee and shall remain in force until all the Purchaser's obligations under this Agreement have been performed.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE TRUST

Section 3.1 The Trust acknowledges that the Purchaser has entered into this Agreement in reliance upon the representations and warranties contained in this Article III.

Section 3.2 The Trust hereby warrants to the Purchaser as follows:

(a) Organization and Authority. The Trust is duly organized, validly existing and in good standing under the laws of Iraq, with full power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(b) Absence of Encumbrances. The Shares are not subject to any Encumbrances (other than the rights of Purchaser hereunder).

(c) Assets. The Company owns or has the legal right to use all of the Business Assets and has good and valid title thereto, free and clear of all Encumbrances (other than Permitted Encumbrances).]

(d) Corporate Authority; Validity of Agreement; No Violation. The Trust has the corporate power and legal authority to execute and deliver this Agreement and the other agreements contemplated hereunder and to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and the other agreements contemplated hereunder and the performance of the Trust's obligations hereunder and thereunder have been duly and validly authorized by all necessary corporate action by the Trust, and no other corporate proceedings on the part of the Trust are necessary to authorize such execution, delivery and performance. This Agreement has been, and the other agreements to be executed by the Trust in connection with this Agreement will be, duly and validly executed and delivered by the Trust and constitute or will constitute, as the case may be, the valid and binding obligations of the Trust enforceable against the Trust in accordance with its or their terms.

(e) Limitation on Warranties. Any claims the Trust may have for breach of warranty shall be based solely on the warranties of the Purchaser expressly set forth in this Agreement. Notwithstanding the foregoing, nothing herein shall relieve any party from any liability for fraud.

(f) No Other Warranties. Except for the warranties expressly set forth in this Agreement, neither the Trust nor any other Person makes any other express or implied warranty or any representation on behalf of the Trust, and the Trust hereby disclaims any such warranty or any representation whether by the Trust or its respective officers, employees, agents or representatives or any other Person, as to the condition (financial or otherwise), value or quality of the Shares and the Business Assets, notwithstanding the delivery or disclosure to the Purchaser or any of its officers, directors, employees, agents or representatives or any other Person of any documentation or other information by the Trust or any of its respective officers, directors, employees, agents or representatives or any other Person with respect to any one or more of the foregoing.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER AND THE GUARANTOR[S]

Section 4.1 The Purchaser and the Guarantor acknowledge that the Trust has entered into this Agreement in reliance upon the representations and warranties contained in this Article III.

Section 4.2 The Purchaser and the Guarantor hereby warrant to the Trust as follows:

(a) Organization and Authority of the Purchaser. The Purchaser and the Guarantor are validly existing and is in good standing under the laws of [], with full corporate power and authority to enter into this Agreement and perform its obligations hereunder.

(b) Financial Capability. The Purchaser has sufficient funds or capital commitments in place (i) to make the first Rental Payment and (ii) to operate the Business in accordance with the Business Plan, on the terms and conditions contained in this Agreement and will have such funds or capital commitments on the Commencement Date, and the Guarantor has sufficient funds or capital commitments in place to make all of the Rental Payments.

(c) Information. All information furnished by or on behalf of the Purchaser and the Guarantor to the Trust in connection with this Agreement or any transaction contemplated hereby, is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading. No event or circumstance has occurred which has had or could reasonably be expected to have, individually or in the aggregate for all such events or circumstances, a material adverse effect on the ability of the Purchaser and the Guarantor[s] to perform all of their respective obligations hereunder, which has not been fully and accurately disclosed to the Trust in writing.

(d) Prohibited Disposition. Neither the Purchaser nor the Guarantor[s] (i) are at the date hereof or were at any time prior to such date closely affiliated with the former regime of Saddam Hussein, or (ii) are employing funds for the payment of the Rental Payments or the Additional Payments, and/or for the operation of the Business regardless of the source, that were gained from close association with the regime of Saddam Hussein, or (iii) are using capital or financing for the payment of the Rental Payments or the Additional Payments, and/or for the operation of the Business that has otherwise been attained illegally.

(e) Limitation on Warranties. Any claims the Purchaser may have for breach of warranty shall be based solely on the warranties of the Trust expressly set forth in this Agreement. All other warranties, whether express or implied, are hereby waived by the Purchaser. The Purchaser and the Guarantor further warrant that neither the Trust nor any other Person has made any warranty, express or implied, as to the accuracy or completeness of any information regarding any of the Trust, the Business Assets or the Assumed Liabilities not expressly set forth in this Agreement. Notwithstanding the foregoing, nothing herein shall relieve any party from any liability for fraud.

(f) No Other Warranties. Except for the warranties expressly set forth in this Agreement, neither the Purchaser, the Guarantor nor any other Person makes any other express or implied warranty on behalf of the Purchaser, the Guarantor and the Purchaser hereby disclaims any such warranty whether by the Purchaser, the Guarantor or any of its Affiliates or their respective officers, directors, employees, agents or representatives or any other Person, notwithstanding the delivery or disclosure to the Trust or any of its officers, directors, employees, agents or representatives or any other Person of any documentation or other information by the Purchaser, the Guarantor or any of its respective officers, directors, employees, agents or representatives or any other Person with respect to any one or more of the foregoing.

ARTICLE V

COVENANTS

Section 5.1. Compliance with Business Plan.

The Purchaser shall comply and shall cause the Company to comply in all material respects with the Business Plan and shall not, without the prior written consent of the Trust, (i) vary from any of the actions and commitment required by the Business Plan, (ii) change the use of the Business Assets or permit the use of the Business Assets to be changed to any purpose other than as set out in the Business Plan, (iii) permit the Company to engage in any business other than the Business, or (iv) terminate any employees of the Company or institute any severance arrangements, except in accordance with the Business Plan.

Section 5.2 Encumbrance.

The Purchaser will not and will not permit the Company, directly or indirectly, to create or permit to be created and to remain any Encumbrance with respect to, the Shares and the Business Assets or any part thereof, without the prior written consent of the Trust.

Section 5.3 Indebtedness.

The Purchaser shall not permit the Company incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any Indebtedness, or guarantee, assume, endorse, or otherwise become responsible for (directly or indirectly), the Indebtedness, performance, obligations or dividends of any other Person, except as provided in the Business Plan.

Section 5.4 Loans.

The Purchaser shall not permit, directly or indirectly, the Company to make any loans or advance money or property to any Person, or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the shares of capital stock or Indebtedness or all or a substantial part of the assets or property of any Person, or form or acquire any subsidiaries, or agree to do any of the foregoing, except as provided in the Business Plan.

Section 5.5 Transfer of Assets

The Purchaser shall not transfer, abandon or otherwise dispose of the Shares and shall not permit the Company to transfer, abandon or otherwise dispose of the Business Assets or any part thereof otherwise than in accordance with the Business Plan (including any sales of goods and services in the ordinary course of business) or without the prior written approval of the Trust.

Section 5.6 Applicable Laws.

(a) The Purchaser shall comply at all times and shall cause the Company at all times to comply with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority.

(b) The Purchaser shall at all times and shall cause the Company at all times to have all material permits, material licenses, material approvals, material consents, material certificates, material orders or material authorizations of any Governmental Authority required for the lawful conduct of the Business and other activities related thereto (collectively, the "Permits"), and shall ensure that all such Permits are valid and subsisting and in full force and effect.

Section 5.7 Maintenance and Repair.

(a) The Purchaser acknowledges that, with full awareness of its obligations under this Agreement, the Purchaser has accepted the condition, state of repair and appearance of the Business Assets. The Purchaser agrees that, subject to the terms of the Business Plan and at its expense, it shall put, keep and maintain and shall cause the Company to put, keep and maintain the Business Assets, including any altered, rebuilt, additional or substituted buildings, structures and other assets thereto or thereon, in good repair and appearance and in safe condition, and shall make all repairs and replacements necessary therefor. For the avoidance of doubt, the Trust shall not be required to maintain, repair or rebuild, or to make any alterations, replacements or renewals of any nature to the Business Assets, or any part thereof, whether ordinary or extraordinary, structural or nonstructural, foreseen or not foreseen, or to maintain the Business Assets or any part thereof in any way or to correct any patent or latent defect therein.

(b) The Trust and its respective agents and designees may enter upon and inspect the Company and its Business Assets at reasonable times and on reasonable prior notice (being at least one-day's prior notice) and, where there is an Event of Default continuing, show the Company and the Business Assets to prospective purchasers; provided, however, that entrants onto the Business Assets shall maintain as confidential any third party confidential information viewed by them at the Business.

office

Section 5.8 Insurance.

(a) The Purchaser shall maintain, or cause to be maintained, at its sole expense, the following insurance on the Business Assets (herein called the "**Required Insurance**")

(i) insurance insuring the Property and the Assets for all risks of direct physical loss and for perils covered by the causes of loss-special form (all risk, extended coverage) and in addition, ordinance or law coverage and machinery. Such insurance shall be written on a replacement cost basis with an agreed value equal to the full insurable replacement value of the Business Assets. The policy shall name the Trust as insureds and loss payees. If in the opinion of the Trust the amount of the Purchaser's insurance is found to be inadequate to comply with the second sentence of this Subsection 5.8(a)(i), the Purchaser will increase the insurance to an amount sufficient to comply therewith as determined by the Trust; and

(ii) such other insurance as the Trust may, from time to time, reasonably require.

(b) The policies required to be maintained by Purchaser shall be with companies [having an insurance company claims paying rating equal to or greater than A by Standard & Poors Corporation or A2 by Moody's Investment Service or be considered equivalent to an NAIC 1 or other acceptable rating acceptable to the Securities Valuation Office of the National Association of Insurance Commissioners]. Certificates of insurance, together with reasonable evidence of payment of the premiums therefor, shall be delivered to the Trust prior to the Commencement Date of this Agreement and thereafter at least thirty (30) days prior to the expiration date of each required policy, and such certificates shall include such information as is necessary to evidence compliance of such policies with the provisions of this Subsection 5.8. The Purchaser shall not provide insurance coverage in the form of a blanket policy. Such policy of insurance shall provide notification to the Trust at least thirty (30) days prior to any non-renewal, cancellation or modification to reduce the insurance coverage.

(c) (i) Insurance claims by reason of damage to or destruction of any portion of the Business Assets shall be adjusted by the Trust, and the Purchaser shall implement any such decisions of the Trust. The Purchaser shall, promptly after any damage or destruction to the Business Assets, advise the Trust of such occurrence and consult with the Trust throughout the process of adjusting any such claim. The Trust shall not be required to prosecute any claim against, or to contest any settlement proposed by, an insurer. The Trust shall be entitled to prosecute any such claim or contest any such settlement in the name of the Company and the Trust (as applicable).

(ii) Proceeds from the property insurance policy (net of the Company's and if applicable, the Trust's reasonable expenses incurred in adjusting and collecting such proceeds) shall be made available from the Trust to the Company, but only upon submission to the Trust (A) prior to commencement of work, of plans and specifications covering all repair and restoration work in form and substance acceptable to the Trust, and (B) prior to each periodic disbursement: (1) reasonable evidence that the remaining unapplied proceeds of the insurance will be sufficient to pay the remaining cost of the reconstruction or repair and provide a reasonable reserve for contingencies, (2) certificates of the Company delivered to the Trust from time to time as such work or repair progresses, each such certificate describing the work or repair for which the Company is requesting payment and the cost incurred by the Company in connection therewith and stating that the Company has not theretofore received payment for such work and has sufficient funds remaining to complete the work free of liens or claims, (3) owner's and contractor's sworn statements in customary form and appropriate waivers of mechanic's or construction liens, and (4) architect's certificates in customary form covering the work for which payment is requested. Any proceeds remaining after the Company has repaired the Business Assets shall be delivered to the Company. No payment shall be made to the Company pursuant to this Subsection 5.8(c) if any monetary default is continuing or any Event of Default is continuing in the performance by the Purchaser of its obligations under

this Agreement.

(d) In the event the Purchaser does not purchase the insurance required by this Agreement or keep the same in full force and effect, the Trust may, but shall not be obligated to, purchase the necessary insurance and pay the premium therefor. The Purchaser shall repay to the Trust, as Additional Payment, the amount so paid promptly upon demand. In addition, the Trust may recover from the Purchaser and the Purchaser agrees to pay, as Additional Payment, any and all reasonable expenses (including reasonable attorneys' fees) and damages which the Trust may sustain by reason of the failure of the Purchaser to obtain and maintain such insurance.

(e) The Trust shall not be limited in the proof of any damages which the Trust may claim against the Purchaser arising out of or by reason of the Purchaser's failure to provide and keep in force any of the Required Insurance to the amount of the insurance premium or premiums not paid or incurred by the Purchaser and which would have been payable under such insurance; but the Trust shall also be entitled to recover as damages for such breach, the uninsured amount of any loss, to the extent of any deficiency in the Required Insurance and damages, costs and expenses of suit suffered or incurred by reason of or damage to, or destruction of the Business Assets, occurring during any period when the Purchaser may have failed or neglected to obtain the Required Insurance. The Purchaser shall indemnify and hold harmless the Trust for any liability incurred by the Trust arising out of any deductibles for Required Insurance.

(f) All policies of insurance required under this Subsection 5.8 shall contain clauses or endorsements to the effect that:

(i) no act or negligence of the Trust, or anyone acting for the Trust or of the Purchaser or failure to comply with the provisions of any policy which might otherwise result in a forfeiture of the insurance or any part thereof, shall in any way affect the validity or enforceability of the insurance insofar as the Trust is concerned; and

(ii) the Trust shall not be liable for any insurance premiums thereon or subject to any assessments thereunder.

Section 5.9 Financial Statements and Additional Information

The Purchaser shall keep proper books and records in which entries required by GAAP (where applicable) shall be made of all business transactions of or in relation to the Business, as applicable. The Purchaser shall promptly furnish to the Trust all such financial and other information as the Trust shall reasonably request relating to the Company and its subsidiaries and the Business Assets. Without limiting the foregoing the Purchaser will deliver to the Trust copies of the following:

(a) Monthly Statements. Within ten (10) days after the end of each month, a report setting out the status of the Company and its subsidiaries and a statement of profits and losses of the Company and its subsidiaries, such report to be prepared by one or more

accountants appointed from time to time by the Trust (the "Trust Accountant").

(b) Quarterly Statements. Within sixty (60) days after the end of each quarterly fiscal period (except the last) in each fiscal year of the Purchaser and of the Company, copies of:

- (i) a consolidated balance sheet as at the end of such quarter of (x) the Purchaser, and (y) the Company and its subsidiaries,
- (ii) a consolidated statement of profits and losses for the current quarter and the portion of the fiscal year ending with such quarter of (x) the Purchaser, and (y) the Company and its subsidiaries,
- (iii) a consolidated statement of cash flows for the portion of the fiscal year ending with the current quarter of (x) the Purchaser, and (y) the Company and its subsidiaries,

setting forth in each case in comparative for the figures for the corresponding periods a year earlier, all in reasonable detail and certified as having been prepared in accordance with generally accepted accounting principles consistently applied and certified as complete; and correct by a senior financial officer of the Purchaser and the Company, as applicable.

(c) Annual Statements. Within ninety (90) days after the end of each fiscal year of the Purchaser and the Company, copies of:

- (i) a consolidated balance sheet as at the end of such year of (x) the Purchaser, and (y) the Company and its subsidiaries,
- (ii) consolidated statements of profits and losses for such year of (x) the Purchaser, and (y) the Company and its subsidiaries, and
- (iii) a consolidated statement of cash flows for such year of (x) the Purchaser, and (y) the Company and its subsidiaries,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable details and accompanied by the report thereon, containing an opinion unqualified as to limitations imposed by the Purchaser (with the prior consent of the Trust) on the scope of the audit, of a firm of independent certified public accountants of recognized national standing selected by the Purchaser which opinion shall state that the consolidated financial statements of (x) the Purchaser, and (y) the Company and its subsidiaries fairly present the financial condition of the companies (including the results of their operations and changes in financial position) being reported upon, have been prepared in accordance with GAAP and that the examination of such accounts in connection with such financial statements has been made in accordance with applicable generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances.

(d) Additional Information. With reasonable promptness, the Purchaser

will provide the Trust such additional financial statements and information regarding the business affairs and financial condition of the Purchaser and the Company as the Trust may reasonably request; provided, the Purchaser shall not be required to generate financial statements under this sentence which it does not otherwise generate for some other purpose (including internal purposes). In addition, the Purchaser shall submit to the Trust copies of all financial information submitted by the Purchaser and the Company to its respective institutional lenders, bondholders and other institutional investors as and when such information is delivered to such other parties. Upon the prior written request of the Trust the Purchaser shall cause a senior financial officer of the Purchaser and of the Company to meet at the Purchaser's offices with representatives of the Trust to discuss the business and financial affairs of the Purchaser and the Company, and the financial statements and other information submitted by the Purchaser to the Trust pursuant to this Agreement.

Section 5.10 Transactions with Affiliates The Purchaser shall ensure that the Company shall not, directly or indirectly:

- (a) purchase, acquire or lease any property or services from, or sell, transfer or lease any property or services to, any officer, director or other Affiliate of the Purchaser and/or the Guarantor[s], except in accordance with the Business Plan, and
- (b) make any payments (whether by dividend, loan or otherwise) of management, consulting or other fees for management or similar services, or of any Indebtedness owing to any officer, employee, shareholder, director or any other Affiliate of the Purchaser and/or the Guarantor[s], except (i) reasonable compensation to officers, employees and directors for services rendered to Business in the ordinary course of business.

Section 5.11 Further Assurances; Subsidiaries

At the request of the Trust at any time and from time to time, the Purchaser shall, at its expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary to otherwise effectuate the provisions or purposes of this Agreement. The Purchaser covenants and agrees that it will cause each subsidiary of the Company to be bound as if it were included with the definition of "Company" under this Article V.

ARTICLE VI

SURVIVAL AND INDEMNIFICATION

Section 6.1 Indemnification.

(a) The Purchaser agrees to pay, and to protect, defend (with counsel reasonably acceptable to the Trust), indemnify and hold harmless the Trust and its officers, directors, trustees, members, partners, shareholders, beneficiaries, employees and agents (together the "**Indemnified Parties**") from and against any and all liabilities, losses, damages, costs, expenses (including all reasonable attorneys' fees and expenses), causes of action, suits, claims, demands or judgments of any nature (herein collectively called "**Damages**") whatsoever arising from (i) any use, condition or event occurring on the Property or in relation to the Business Assets or any acts or occurrences of the Company and its subsidiaries prior to or during the Term, (ii) any injury to, or the death of, any person or damage to property on the Property or in relation to the Assets prior to or during the Term, (iii) any injury to, or the death of, any person or damage to property upon adjoining sidewalks, streets or right of ways, in any manner growing out of or connected with the use, non-use, condition or occupation of the Property, adjoining sidewalks, streets or right of ways prior to or during the Term, (iv) any violation by the Purchaser of any agreement or condition of this Agreement, or any contract or agreement to which the Purchaser is a party or which pertains to the Business, the Business Assets or any part thereof or the ownership, occupancy or use thereof, and (v) any violation by Purchaser of any Legal Requirement; provided, however, the foregoing indemnity shall not apply as to an Indemnified Party with respect to claims arising solely from the grossly negligent affirmative acts or willful misconduct of such Indemnified Party. If an Indemnified Party shall be made a party to any such litigation commenced against the Purchaser, the Purchaser shall pay all reasonable costs and attorneys' fees and expenses incurred or paid by the Indemnified Party in connection with such litigation.

(b) The Purchaser shall indemnify each Indemnified Party with respect to any loss or damage suffered by the Indemnified Party by reason of any material inaccuracy or misstatement in any representation or warranty of the Purchaser set forth in this Agreement or in any document, notice, certificate, demand or request delivered to any Indemnified Party pursuant to this Agreement.

(c) The Purchaser's obligations and liabilities under this Article VI shall survive expiration or earlier termination of this Agreement.

ARTICLE VII

TERMINATION ; PURCHASER DISPOSAL

Section 7.1 Event of Default

(a) Any of the following occurrences or acts shall constitute an event of default (herein called an "**Event of Default**") under this Agreement:

(i) if the Purchaser or the Guarantor, at any time during the Term of this Agreement (and regardless of the pendency of any bankruptcy, reorganization, receivership, insolvency or other proceedings, at law, in equity, or before any administrative tribunal, which have or might have the effect of preventing the Purchaser from complying with the terms of this Agreement), shall fail to make any two Rental Payments within 5 Business Days of their due or if, in the aggregate, Purchaser or Guarantor owe in excess of _____, which amount has been due and owing for 5 Business Days; or

(ii) if the Purchaser, at any time during the Term of this Agreement shall fail to observe or perform any aspect of the Business Plan or shall vary therefrom without the prior written consent of the Trust, or shall, in the reasonable opinion of the Trust, take or refrain from taking any action which would, in the reasonable opinion of the Trust, have a material adverse effect on the Company;

(iii) if the Purchaser or any of its shareholders has directly or indirectly misappropriated the assets of the Company or any of its subsidiaries;

(iv) if the Purchaser, at any time during the Term of this Agreement shall (i) fail to observe or perform Section 5.8 or (ii) shall fail to observe or perform any other material provision hereof or any agreement entered into as a consequence of this Agreement for thirty (30) days after written notice to the Purchaser of such failure has been given; or

(v) if any material representation or warranty of the Purchaser or the Guarantor set forth herein or in any notice, certificate, demand, request or other instrument delivered pursuant to, or in connection with, this Agreement shall prove to be either false or misleading in any material respect as of the time when the same shall have been made; or

(vi) if the Purchaser or the Company shall file a petition commencing a voluntary case under the [Iraqi Bankruptcy Code] or any other law (as now or hereafter in effect) relating to bankruptcy, insolvency, reorganization, winding-up or adjustment of debts (hereinafter collectively called "**Bankruptcy Law**") or if the Purchaser or the Company shall (A) apply for or consent to the appointment of, or the taking of possession by, any receiver, custodian, trustee or liquidator (or other similar official) of

the Company or any Business Assets or any part thereof or of any substantial portion of the Purchaser's property, or (B) generally not pay its debts as they become due, or admit in writing its inability to pay its debts generally as they become due or (C) make a general assignment for the benefit of its creditors, or (D) fail to controvert in timely and appropriate manner, or in writing acquiesce to, any petition commencing an involuntary case against the Purchaser or otherwise filed against the Purchaser or the Company pursuant to any Bankruptcy Law, or (E) take any significant action in furtherance of any of the foregoing.

(b) If an Event of Default shall have happened and be continuing, the Trust shall have, in its sole discretion, the following rights:

(i) to give the Purchaser at least one (1) days' written notice of the Trust's intention to terminate this Agreement on a date specified in such notice. Thereupon, this Agreement and the lease hereby granted shall terminate on such date as completely and with the same effect as if such date were the date fixed herein for the expiration of the Term of this Agreement, and all rights of the Purchaser hereunder shall terminate, but the Purchaser shall remain liable as provided herein (including without limitation the obligation to pay all remaining Rental Payments and all Additional Payments then owed); and

(ii) to (A) re-enter the Company and repossess the Shares and Business Assets and any part thereof by force, summary proceedings, ejections or otherwise and (B) remove all persons and property therefrom, whether or not this Agreement has been terminated pursuant to clause (i) above, the Purchaser hereby expressly waiving any and all notices to quit, cure or vacate provided by current or any future law, to the extent permitted by any such law. The Trust shall have no liability by reason of any such re-entry, repossession or removal. No such re-entry or taking of possession of the Shares and the Business Assets by the Trust shall be construed as an election on the Trust's part to terminate the Term of this Agreement unless a written notice of such intention be given to Purchaser pursuant to clause (i) above.

(iii) The rights and remedies set forth in this Article VII may be exercised in any order and in any combination whatsoever. No right or remedy herein conferred upon or reserved to the Trust is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity. The failure of the Trust to insist at any time upon the strict performance of any covenant or agreement or to exercise any option, right, power or remedy contained in this Agreement shall not be construed as a waiver or a relinquishment thereof for the future. A receipt by the Trust of any Rental Payment Rent, any Additional Payment or any other sum payable hereunder with knowledge of the breach of any covenant or agreement contained in this Agreement shall not be deemed a waiver of such breach, and no waiver by the Trust of any provision of this Agreement shall be deemed to have been made unless expressed in writing and signed by the Trust. In addition to other remedies provided in this Agreement, the Trust shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of

the covenants, agreements, conditions or provision of this Agreement, or to decree compelling performance of any of the covenants, agreements, conditions or provisions of this Agreement, or to any other remedy allowed to the Trust at law or in equity.(b) Purchaser hereby waives and surrenders for itself and all those claiming under it, including creditors of all kinds, (i) any right or privilege which it or any of them may have under any present or future constitution, statute or rule of law to redeem the Shares or to have a continuance of this Agreement for the Term hereby demised after termination of Purchaser's right of occupancy by order or judgment of any court or by any legal process or writ, or under the terms of this Agreement or after the termination of the Term of this Agreement as herein provided, and (ii) the benefits of any present or future constitution, statute or rule of law which exempts property from liability for debt or for distress for rent.

(c) Purchaser shall promptly (upon receipt of any invoices therefore) reimburse the Trust for any reasonable costs and expenses it incurs in connection with any consents, approvals, waivers or amendments requested by Purchaser of the Trust or otherwise required under or in connection with this Agreement.

(d) Upon the termination of this Agreement following an Event of Default, the Purchaser shall peaceably surrender the Shares and the Company and all Business Assets to the Trust in the condition in which such property is to be kept under the provisions of this Agreement.

(e) Notwithstanding anything to the contrary contained herein, upon the termination of this Agreement following an Event of Default, Purchaser shall pay to the Trust, within 10 days following the calculation of the Deficit Amount as described below, the Deficit Amount as follows:

(i) As soon as practicable after termination of this Agreement following an Event of Default, the Trust Accountant and the Company shall prepare and deliver to Purchaser a statement of the Net Worth of Company and its Subsidiaries as of the moment in time immediately prior to such termination (the "Closing Statement") determined in accordance with the GAAP and the provisions hereof. For purposes hereof, "Net Worth with respect to the Company (including the Company and its Subsidiaries on a consolidated basis) means all assets minus all liabilities (including an appropriate amount for all contingent liabilities). The Net Worth determined by the Trust Accountant shall be final and binding upon the parties.

(ii) If the Net Worth on the Closing Statement is less than _____ (any such difference, the "**Deficit Amount**"), then the Purchaser shall pay to the Trust any Deficit Amount in immediately available funds as provided above, together with interest (equal to ___ percent (___%) per annum computed on the basis of a 360-day year and paid for the actual number of days elapsed). [Need to review interest under Iraqi law]

Section 7.2 Purchaser Disposal. *[Tom - Which date should the 5 year term be measured from, the Commencement Date or the Purchase Date?]*

(a) Where, on or after the Purchase Date, the Purchaser transfers, assigns or otherwise disposes of its interest in the Shares or the Company disposes of all or substantially all of the assets of the Company (such transaction or series of [related]

transactions the "**Disposal**"), the Trust shall be entitled to any and all sums realized by such Disposal in accordance with the following vesting schedule:

(i) 20% of the gross profits minus transaction expenses, if the Disposal occurs on or after the first anniversary, but prior to the second anniversary, of the [Commencement Date/Purchase Date];

(ii) 40% of the gross profits minus transaction expenses, if the Disposal occurs after the second anniversary, but prior to the third anniversary, of the [Commencement Date/Purchase Date];

(iii) 60% of the gross profits minus transaction expenses, if the Disposal occurs on or after the third anniversary, but prior to the fourth anniversary, of the [Commencement Date/Purchase Date];

(iv) 80% of the gross profits minus transaction expenses, if the Disposal occurs on or after the fourth anniversary, but prior to the fifth anniversary, of the [Commencement Date/Purchase Date];; and

(v) 100% of the gross profits minus transaction expenses, if the Disposal occurs on or after the fifth anniversary of the [Commencement Date/Purchase Date];

each such amount the "**Disposal Profit**".

(b) The Purchaser shall pay, or shall cause the Company to pay, the Disposal Profit to the Trust within 5 days of such Disposal by wire or other electronic transfer of immediately available funds to the Trust at the address set forth above and/or to such other person or such other place or account as the Trust from time to time may designate to the Purchaser in writing.

ARTICLE VIII

ARBITRATION

Section 8.1 Arbitration.

(a) In the event of any controversy, claim or counter-claim arising out of or relating to this Agreement, or any related agreement, the Parties shall first attempt to resolve such controversy or claim or counter-claim through good-faith negotiations for a period of no less than thirty (30) days following written notification of such controversy or claim or counter-claim to the other Party.

(b) If such controversy or claim or counter-claim cannot be resolved by means of such negotiations during such period (or such other period as the parties may mutually agree) then the same shall be resolved exclusively by arbitration, by notice given by one party to the other party to this Agreement specifying the cause of action and such party's nominated arbitrator (the "**Arbitration Notice**").

(c) Arbitration shall be conducted pursuant to the Rules of Arbitration of the International Chamber of Commerce in effect at the time of such arbitration, save as varied by this Article VIII. There shall be three arbitrators selected as follows: (i) one arbitrator shall be selected by the Trust, one arbitrator shall be selected by the Purchaser, and (iii) the third arbitrator shall be counsel with broad experience in international commercial arbitration selected jointly by the first two arbitrators. In the event that if one or both of the parties to this Agreement fail to select an arbitrator within sixty (60) days after notice of initiation of arbitration or if the first two arbitrators fail to select the third arbitrator within one hundred twenty (120) days after the date of delivery of the applicable Arbitration Notice, then at the request of the party which served the Arbitration Notice [the Chairman of the Bar Council of England and Wales shall make such selection].

Section 8.2 Venue for Arbitration.

The venue of the arbitration shall be [Baghdad, Iraq]. All arbitration proceedings shall be conducted in the English language and all foreign language documents shall be submitted in the original language and shall also be accompanied by a translation into English.

Section 8.3 Fees and Costs.

All costs and fees of the successful party associated with the arbitration procedure (including reasonable attorneys' fees and the costs of the arbitration) shall be borne by the losing party and paid to the successful party within 30 days of the decision by the arbitrators.

Section 8.4 Decision of Arbitrators Binding on Parties.

The decision of the arbitrators shall be by majority vote and shall be delivered in writing. The arbitrators shall give written reason for their decision. Any arbitral award shall be final and binding on the Parties to this Agreement and judgement upon any arbitral

award may be entered and enforced by any court or judicial authority of competent jurisdiction.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Notices, Demands and Other Instruments.

(a) All notices, demands, requests, consents, approvals and other instruments required or permitted to be given pursuant to the terms of this Agreement shall be in writing and shall be deemed to have been properly given if sent by overnight express courier (in which event they shall be deemed delivered on the next business day), or delivered by hand (in which event they shall be deemed delivered on the date of actual delivery or refusal to accept delivery), addressed as follows:

If to Purchaser:

[]

With a copy to:

[]

Attention:

If to The Trust:

[]

With a copy to:

[]

Attention:

(b) The Trust and Purchaser shall each have the right from time to time to specify as its address for purposes of this Agreement any other address upon fifteen(15) days written notice thereof, similarly given, to the other Party.

Section 9.2 Severability.

(a) Each and every covenant and agreement contained in this Agreement is separate and independent, and the breach of any thereof by the Trust shall not discharge or relieve Purchaser from any obligation hereunder. If any term or provision of this Agreement or the application thereof to any person or circumstances shall at any time be invalid and unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances or at any time other than those to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

(b) No provision contained in this Agreement which purports to obligate the Purchaser to pay any amount of interest or any fees, costs or expenses which are in excess of the maximum permitted by applicable law, shall be effective to the extent that it calls for payment of any interest or other sums in excess of such maximum.

Section 9.3 Binding Effect.

(a) All of the covenants, conditions and obligations contained in this Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Trust and the Purchaser.

(b) Each of the parties is sophisticated and was advised by experienced counsel and, to the extent it deemed necessary, other advisors in connection with this Agreement. Each of the parties hereby acknowledges that (i) no party has relied or will rely in respect of this Agreement or the transactions contemplated hereby upon any document or written or oral information previously furnished to or discovered by it or its representatives, other than this Agreement (including the Schedules hereto), (ii) there are no representations or warranties by or on behalf of any party hereto or any of its respective Affiliates or representatives other than those expressly set forth in this Agreement, and (iii) the parties' respective rights and obligations with respect to this Agreement and the events giving rise thereto will be solely as set forth in this Agreement. No person will have or be subject to any liability to Purchaser or any other person resulting from the distribution to Purchaser, or Purchaser's use of, any information not contained in this Agreement (including, without limitation, any offering memorandum, brochure or other publication provided to Purchaser, and any other document or information provided to Purchaser in connection with the transactions herein). Notwithstanding anything contained herein to the contrary, the Trust makes no representation, warranty or covenant of any kind with respect to any projections, estimates or budgets heretofore delivered to or made available to Purchaser of future revenues, expenses or expenditures, future results of operations (or any component thereof), future cash flows or future financial condition (or any component thereof) of the Company or the future business and operations of the Company.

Section 9.4 Table of Contents; Headings.

The table of contents and headings used in this Agreement are for convenient reference only and shall not to any extent have the effect of modifying, amending or changing the provisions of this Agreement.

Section 9.5 Governing Law.

This Agreement shall be governed by and interpreted under the laws of the state of Iraq without regard to its conflict of laws rules.

Section 9.6 Assignment.

This Agreement may not be assigned or otherwise transferred by the Purchaser or the Guarantor without the written consent of the Trust, it being understood and agreed that the Trust shall be entitled to assign and otherwise dispose of its interests in the Company and this Agreement from time to time, in whole or in part. Any purported assignment in violation of this Section 9.6 shall be void.

Section 9.7 Exhibits.

Exhibits [] attached hereto are hereby incorporated by reference in this

Agreement and made a part hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above set forth.

THE TRUST:

THE PURCHASER:

EXHIBIT []

RENTAL PAYMENT SCHEDULE

1. The [purchase price] to be paid by the Purchaser to the Trust shall be as follows:

Payment Date	Payment Amount
1.	<i>[Minimum of 25% of total purchase price]</i>
2.	
3.	
4.	
5.	
6.	
7.	

Minutes of Meeting

Held at the Ministry of Industry and Minerals on / /

Subject: Lease Program

Company:

Factory:

Lessee Company:

➤ CHECK LIST

1. Employment is a deal breaker to most propositions. The lessee accepts the current staff level with the # of employees indicated in the box. #
2. The staff will remain government employees; the Iraqi law is the governing law.
3. The business plan, as an appendix to the contract, agreed upon during negotiation, can be changed subject to approval by the Ministry.
4. The length of the lease is between 5 and 15 years.
5. The rent to be reviewed every two years and will use a formula based on profits or revenues or inflation or by agreement of both parties.
6. Any inventory (raw materials, spare parts ...etc.) will be purchased by the lessee at a fair price to be determined by independent expert.

7. Length of time it will take to refit the factory until it is operational.
8. Start of the lease.
9. The lessee will share the facilities within the company grounds.
10. The Ministry will monitor the lessee implementation of the business plan, and shall require annual audited financial statements.
11. The production will be based on satisfactory standards and supported by measurement systems.
12. Safety and environmental regulations as set by Iraqi law will be observed and implemented at all times.
13. The Ministry will purchase the equipment at one time book value or by mutual agreement at the end of the lease.
14. Proper insurance policy for the factory shall be provided by lessee through Iraqi Insurance Co.
15. The Iraqi law will be applicable during the lease time.
16. The remedies and penalties for non-performance according to the business plan will be fined.
17. The Ministry will take responsibility for paying any debts and receiving all incurred before signing the contract.
18. The rent will commence at the signing of the contract.

19. The deposit of 25% of the cost of the annual rent will be
paid on signing the contract.

☐

20. The lessee shall obtain ISO 9001 for the factory.

☐

21. The lessee shall avail all utilities related with the factory.

☐

MIM TEAM

LESSEETeam

➤ CONDITIONS

➤ COMMENTS

➤ ACTION PLAN

➤ COMMITTEE NOTES

THE COMPANIES THAT HAVE FINISHED FIRST . NEGOTIATION

Date	Bidder	Factory
26 / 2 / 2004	Sami Al-Abbd Group	Plastic Bags
29 / 2	LeadStay	Mosul Dairy
11 / 3 13 / 3 14 / 3	Coia	Jelly Filled Phone Cables Electric Cables Fiber Optics
17 / 3	Saqir Al-Khaliej	Extrusion & Oxydizing
17 / 3	Al-Riyadh Electric Cables	Domestic Wires
18 / 3	Baiara	Mosul Dairy
20 / 3	Iraqi Development	Steel Structure
20 / 3	Globe Line	Starch & Dextrin
22 / 3	Sultan Center	Fiber Optics
22 / 3	Globe Line	Rubber
23 / 3	Globe Line	Sugar
23 / 3	Sultan Center	Steel Structure
23 / 3	Al-Nour	Batteries
25 / 3	Al-Omar Group	Steel Structure
27 / 3	Al-Jenoub	Steel Structure

27 / 3	Waleed & Al-Khurafi	Steel Structure
28 / 3	Al-Thora	Egg Trays + Waste Compacting + School Copybooks
29 / 3	Barka	Egg Trays
30 / 3	Dihook	Egg Trays
30 / 3	Sarkoot Mahsoom Al-Jaff	Egg Trays
30 / 3	MTS	Al-Nassr + Baghdad Cig.
30 / 3	German Iraqi Co.	School Copybooks
1 / 4	Al-Hawather	Al-Nassr Cig.
1 / 4	Al-Durra	Starch & Dextrin

NEGOTIATION SCHEDULE

Date	Day	Factory	Bidder
3 / 4	Saturday 10 am 12 am	New Tiles = =	AlGawdah Al-Omar Group
4 / 4	Sunday 10 am 1 pm	Al-Nassr + Baghdad Cig. Steel Structure	Globe Enterprises = =
5 / 4	Monday 10 am 1 pm	New + Old Tiles + Sanitaryware Al-Nassr + Baghdad Cig.	Sami Al- Abed Group UK
6 / 4	Tuesday 10 am 12 am	Steel Structure = =	Hancock Sawa Beach
7 / 4	Wednesday 10 am 12 am	Sanitaryware =	Al- Najma Banas
8 / 4	Thursday 10 am 1 pm	Electrical Cables + Domestic Wires Al-Nassr + Baghdad Cig.	Kubba Consultant Gulf Horizon
10 / 4	Saturday 10 am 1 pm	Jelly filled Phone Cables Fiber Optics	Kubba Consultant = =
13 / 4	Tuesday 10 am 12 am	Al-Nassr Cig. = =	Taff Al-Murjan
14 / 4	Wednesday 10 am 12 am	New Tiles Old Tiles	Baiara Al-Quaim

MERCHANTBRIDGE

2nd March 2004

His Excellency
Mr Mohammed Tawfik Raheem
Minister of Industry and Minerals
Baghdad - Iraq

Copy to
Members of the Steering Committee
Ministry of Industry and Minerals
Baghdad - Iraq

Dear Sirs,

Lease of Industrial Factories

Checklist for Information Packages

1 Introduction

It is essential that potential bidders receive sufficient information to analyse a factory and its prospects. The following should be collected from every factory to be included in the Program of Lease. Once received, this information should be presented in a report with the following suggested headings, which may be subject to review depending on the information received and the purpose of the report:

- Executive Summary
- General Information
- Business of factory, markets, sales
- Financials
- Management and Employees
- Legal and insurance information

More information may be required in case of major changes in Iraq, such as tax.

2 Contents

The following list is non exhaustive and may be changed by the Steering Committee. It is based on international standards, although in many cases, the information will not be available (factory looted, etc.). If not available, please state why clearly:

MerchantBridge & Co. Ltd.
6 Eaton Gate, London SW1W 9BJ
Tel: + 44 (0) 20 7881 1200 Fax: + 44 (0) 20 7881 1201
Registered in England No. 3200494
www.mbih.com

Authorised and regulated by the Financial Services Authority

2.1 General Information

- Exact corporate name, exact name of factory, exact address, all details of ONE contact if visit to factory must be organised.
- Organigram of Company and all the factories included in this company. Underline which factory is presented here.
- Confirm ownership by the Ministry of Industry and Minerals. Give details if the Company or Factory was previously in the private sector
- Company by-laws.
- Fiscal year.
- Name and address of Ministry auditors.

2.2 Business Review

2.2.1 Market Position

- Business plan / Strategic plan (if available).
- List of key clients.
- List of known competitors (local, foreign).
- Positioning in markets (local, foreign if any).
- Company reputation with clients (provide letters if you have them)

2.2.2 Operations, MIS & Reporting

- Description of operations (e.g., leasing, management), including significant changes over time.
- Table of designed capacity, current capacity, productions over the last three years, as included in the Company Profile. Explain clearly why the current capacity is not the same as the current capacity – go into the details.
- Table of raw materials used over the last three years, as in the Company Profile.
- Accounting controls and systems.
- Computer systems and software packages.
- Employee procedure manuals (function specific).
- Reporting.

2.2.3 Land and Equipment

- Drawings of the land and the buildings, with exact dimensions. Differentiate between industrial and agricultural land.
- Map of the region, so that visitors can find the factory easily.
- Listing and valuation of all land and buildings included in the lease, if valuation has been made recently.
- Listing and valuation of all machinery and equipment, as in the Company Profile. Show current book value after depreciation.
- Listing of all capital expenditures required.
- List of all inventories: please do not forget any inventory, as the Advisors found more inventory than stated in the Company Profile at many of the factories' visits.

- List of current raw materials to be included in the lease (this will be subject to confirmation at the date of signing of the lease)

2.3 Financials

- Most recent projected and audited (if available) historical financial statements - consolidated and by location - including supporting assumptions.
 - Income Statements
 - Balance Sheets
 - Statements of Cash Flow
- Breakdown of revenue and net operating income ("NOI") by:
 - Category (products, others)
 - Geography
 - - Size (\$) of contracts
- Expense allocations, including:
 - General and Administration (e.g., rent, computers, etc.)
 - Others: generators, etc.

2.4 Employee Issues

2.4.1 Personnel

- Officers and key personnel: date of hire, duties, age (after date of hire only), health (after date of hire only), salary, permanent or temporary, professional background.
- Include a resume for each of the key members of the management; minimum half a page each.
- Organisation chart of Management Structure: show clearly departments like Project Planning, Technical and Marketing. Please give the resume of each head of Department.
- Organization chart of the factory; mention shifts if any.
- Number of employees by function, with job titles.
- Number of employees broken down by permanent and temporary (including number of hours).
- Employee contracts: terms and expiration dates.
- List of employees of retirement age.

2.4.2 Employee Relations

- Brief discussion as to history and current status of labor relations, labor morale, employee lawsuits/grievances, including any work stoppages, slowdowns, walkouts, lockouts or union organizing activities.
- Corporate procedures and policy manual. Memoranda of corporate policies and procedures on personnel, employee relations and human resource matters.

2.4.3 Compensation Matters

- Description of Government salary scales over the last three years.

- Competitiveness of company's salary and benefit packages relative to those in industry.
- List of outstanding worker's compensation claims (if any).

2.5 Legal and Insurance

- Confirmation of relationship with Ministry.
- Confirmation of relevant law allowing lease of factory
- Listing and description of all insurance policies if any.
- Review of risk areas.

3 Preparation for Bid/Rebid

If a factory is going to be included in a rebid or a new programme of lease, a list of questions to be asked to the potential bidders must be sent as part of the Request of Proposals Package.

The format of the list is similar to the list used for the evaluation forms, which included:

- Assessment of the Quality of bidders
- Assessment of the Business proposition of the Bidders
- Assessment of the Technical proposition of the Bidders

And separately, assessment of the financial proposition.

During the preparation of the list of questions for the Evaluations Forms, it became clear that the list of questions submitted for the business and technical assessment was below expected standards. Rather than asking questions as to "what does this technical process include", which can be found in text books, bidders should be asked "what process do you intend to use? How do you intend to implement it? What are the risks with your proposition?". These questions are specific to each factory.

added to the negotiated Companies

6 / 4	Tuesday 10 am 12 am	Steel Structure = =	Hancock Sawa Beach
7 / 4	Wednesday 10 am 12 am	Sanitaryware =	Al- Najma Banas
8 / 4	Thursday 10 am 1 pm	Electrical Cables + Domestic Wires Al-Nassr + Baghdad Cig.	Kubba Consultant Gulf Horizon
10 / 4	Saturday 10 am 1 pm	Jelly filled Phone Cables Fiber Optics	Kubba Consultant = =
13 / 4	Tuesday 10 am 12 am	Al-Nassr Cig. = =	Taff Al-Murjan
14 / 4	Wednesday 10 am 12 am	New Tiles Old Tiles	Baiara Al-Quaim

6/4	Tuesday 10 am 1 p.m	Ninava Drugs Sugar + Warehouse & Dock 11	Globe Enterprises Banas
7/4	Wednesday	Ninava Drugs	Elaj Ltd.
8/4	Thursday	Ninava Drugs	Golden Elephant
10/4	Saturday	Ninava Drugs	Al-Ana'am
11/4	Sunday	Ninava Drugs	Al-Hawade

THE COMPANIES THAT HAVE FINISHED FIRST NEGOTIATION

Date	Bidder	Factory
26 / 2 / 2004	Sami Al-Abbd Group	Plastic Bags
29 / 2	LeadStay	Mosul Dairy
11 / 3 13 / 3 14 / 3	Coia	Jelly Filled Phone Cables Electric Cables Fiber Optics
17 / 3	Saqir Al-Khaliej	Extrusion & Oxydizing
17 / 3	Al-Riyadh Electric Cables	Domestic Wires
18 / 3	Baiara	Mosul Dairy
20 / 3	Iraqi Development	Steel Structure
20 / 3	Globe Line	Starch & Dextrin
22 / 3	Sultan Center	Fiber Optics
22 / 3	Globe Line	Rubber
23 / 3	Globe Line	Sugar
23 / 3	Sultan Center	Steel Structure
23 / 3	Al-Nour	Batteries
25 / 3	Al-Omar Group	Steel Structure
27 / 3	Al-Jenoub	Steel Structure

27 / 3	Waleed & Al-Khurafi	Steel Structure
28 / 3	Al-Thora	Egg Trays + Waste Compacting + School Copybooks
29 / 3	Barka	Egg Trays
30 / 3	Dihook	Egg Trays
30 / 3	Sarkoot Mahsoom Al-Jaff	Egg Trays
30 / 3	MTS	Al-Nassr + Baghdad Cig.
30 / 3	German Iraqi Co.	School Copybooks
1 / 4	Al-Hawather	Al-Nassr Cig.
1 / 4	Al-Durra	Starch & Dextrin

MERCHANTBRIDGE

2nd February 2004

Lease of Industrial Factories

Evaluation Dates

Date of Evaluation	Evaluation Group	Factory	Number of bids
08 February 2004	Construction Group	Old Tiles Factory	6
08 February 2004	Construction Group	Sanitary Ware Factory	8
08 February 2004	Engineering	Electrical Power Cables Factory	2
08 February 2004	Engineering	Household Wires Factory	2
09 February 2004	Construction Group	New Tiles Factory	11
09 February 2004	Engineering	Extrusion and Oxydising Factory	2
09 February 2004	Engineering	Steel Structure Factory	12
10 February 2004	Chemical group	Plastic Bags (sacks) Factory	1
10 February 2004	Chemical group	Waste Compacting Factory	2
10 February 2004	Food & Drugs Group	Mosul Dairy Factory	2
10 February 2004	Food & Drugs Group	Medical Gases Factory	8
12 February 2004	Engineering	Jelly Filled phone Cable Factory	3
12 February 2004	Engineering	Diala Fiber Optic Factory	6
14 February 2004	Chemical group	Babylon Factory for Batteries I	2
14 February 2004	Chemical group	Egg Trays Factory	6
14 February 2004	Food & Drugs Group	Warehouse & Dock 11	4
14 February 2004	Food & Drugs Group	Ninawa Drug Factory	9
17 February 2004	Chemical group	Rubber Products Factory	1
17 February 2004	Chemical group	School Copybook Factory	3
17 February 2004	Chemical group	Starch and Dexitren Factory	3
17 February 2004	Food & Drugs Group	Sugar Factory	4
21 February 2004	Food & Drugs Group	Al Nasr Cigarettes Factory	13
24 February 2004	Food & Drugs Group	Baghdad Cigarettes Factory	11

For each Date of Evaluation held in two separate meetings (9am to 11am; and 12noon to 2pm), two rooms are used exclusively for these meetings. It is important that the evaluations are conducted being closed doors without interruption and that no other person than the members of the Evaluation Groups, the Steering Committee and the Lead Advisors are allowed in these rooms.

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MERCHANTBRIDGE

10th January 2004

His Excellency
Mr Mohammed Tawfik Raheem
Minister of Industry and Minerals
Ministry of Industry and Minerals
Baghdad - Iraq

Your Excellency,

Lease of Industrial Factories

Initial Engagement Letter

Further to our meeting today, the purpose of this Initial Engagement Letter is to set out more formally the role that MerchantBridge & Co. Ltd. ("MerchantBridge") will fulfill for the Ministry of Industry and Minerals ("the Ministry") as your financial adviser (the "Lead Advisor").

We understand that the Ministry is offering leases for no less than 5 years in respect of 35 state-owned factories, active in several sectors, including textiles, food, industrial manufacturing and medical products. The Ministry has received 34 bids from foreign parties and 77 bids from local parties, and we understand that the Ministry has not yet appointed financial advisers to provide the Ministry with the technical skills required and the independence to ensure that the bids are evaluated and awarded in a fair and transparent manner.

MerchantBridge proposes to act as the independent financial advisers to the Ministry. MerchantBridge is confident that the provision of our technical and negotiating skills will significantly improve the results in the following areas:

1. **Increased value of the benefits** to Iraq. This includes: obtaining the best lease prices, promoting current and future employment, selecting quality operators in the manufacturing sector in Iraq and significantly enhancing the manufacturing industry in Iraq to support its long-term goals.
2. **High standards of delivery and professionalism.** The Ministry's entire bid, evaluation, negotiation and closing processes will be advised by seasoned experts with high levels of professionalism and know-how. During the assignment, the Ministry will become informed of the standards of best practice which could be used as a framework when the Ministry undertakes further work of the Ministry.

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3. Being independent advisers, achieve the expected criteria of **fairness, transparency and independence**.
4. **Transfer of knowledge** to selected members of the Ministry so that they become familiar with the overall leasing process and the sectors covered.

In this Initial Engagement Letter we have outlined the proposed scope of our work which in our experience will take a minimum of nine weeks.

1 Scope of Work

1.1 Bidding Process

Starting 10th January 2004, MerchantBridge will carry out the following tasks:

- 1) **Overall Guidance:** Define and implement the core principles and the code of conduct, provide the project plans and submit suggestions to improve the process. This would include:
 - a) Reviewing and refining the process, ensuring that the approach to the evaluation of the bids is kept simple yet complete. As an example, there are no clear incentives for the bidders to develop the factories in a manner consistent with Iraq's long-term needs. In the absence of such incentives, bidders could operate the factories, so that they are worthless at the end of the lease period.
 - b) Setting standards for the review of the bids. In many countries, the law requires that a minimum of bids are received (usually 3) before a factory may be sold or leased. Also, no bidders should be rejected unless a full analysis has been carried out, to ensure fairness.
 - c) In respect of factories which have received one bid or no bid, making recommendations as to the choices available to the Ministry, such as fresh bids ("re-bids") or direct solicitation (subject to the legal framework) to selected institutions.
 - d) Ensuring that the process is based on clear quantitative and qualitative measurements. In our experience, bid evaluations cannot be based solely on quantitative measurements, such as scoring sheets. Qualitative reasoning is therefore required, a process based on interpretation and judgement which must be managed and for which prior experience is required.
 - e) Develop jointly with the Ministry the documents and other tools required at the start of the negotiations.
- 2) **Valuation:** Based on information collected by the Ministry, MerchantBridge will provide guidance to the Ministry in:
 - a) Developing business profiles for each factory and assess its potential revenue generating capacity and value, subject to sufficient technical, business and financial information being available. In the absence of these business profiles and valuations, the negotiating teams would only be guided by the prices of the bids received, which may all be too low. MerchantBridge will alert the Ministry when it deems that the information is not sufficient to carry out this valuation.

- b) Developing information packs on the factories for the bidders, to encourage bidders to provide the best offers based on the information provided. This information would be presented in the form of a synopsis and financial model in electronic format.
- 3) **Formal Evaluation of Bids:** Assisting and guiding the Sector Committees and Steering Committee during their formal independent evaluation process, including:
 - a) Responding to strategic or implementation issues that may arise during the process, including criteria, fit analyses, scoring sheets.
 - b) Seeking to simplify the review process whenever possible, yet ensuring that the evaluation process is properly conducted by the Ministry.
 - c) Act as independent observers to the process, to ensure fairness and transparency.
 - d) Jointly with the Committees, review the results and prepare the final recommendations on the bids.
- 4) **Negotiations:**
 - a) Assisting the Ministry with the negotiations with the final bidder (or bidders) to achieve the most favourable business, technical and financial terms for the factory, based on targets to be identified in consultation with the Ministry.
 - b) Making recommendations on pricing, payment terms and lease renewal terms amongst other conditions, based on information made available to MerchantBridge.
- 5) **Documentation and Closing:**
 - a) Assist the Ministry in preparing the necessary documentation.
 - b) Assist the Ministry during the negotiations to resolve any issues that arise to achieve a timely closure.

1.2 Post-bidding Process

Once closing has been achieved, we recommend that the Ministry implements a monitoring process to ensure that the winning bidders are complying with the terms agreed, ensure that the bi-yearly process of lease review is adhered to and generally ensure the performance of the factories, as well as its final value at time of termination. At the conclusion of this assignment, MerchantBridge will suggest general procedures to monitor continuously the development of the factories and performance of the bidders during the lease period.

MerchantBridge will provide a short report on the success of the entire process and will make suggestions for improving the process in a future lease program.

1.3 Public Awareness Programme

A key to the success of such operations is to manage actively the dissemination of information to all 'stakeholders' – the Government, the bidders, the factories and the workers – as well as the general public, the international financial community and the media. The Public Awareness Programme will have two purposes:

- 1) Ensuring an effective transition for the managers and the employees of the factories by explaining the process. Experience of similar work in other countries

reveals that having the support of the workers and managers of the factory being leased is an essential element in the long-term success of the operation, even though this consultation process may not have existed before.

- 2) Managing the media, including the public, both in Iraq and internationally.

MerchantBridge will make recommendations to the Ministry on the development of a program for dealing with the media and all public announcements, as well as the workers of the factories.

2 Resources

MerchantBridge will commit the following resources:

- A Team Leader who will be responsible for the overall assignment and will control the quality of delivery of the MerchantBridge team. Basil Al Rahim has 28 years experience in the banking industry covering commercial banking, investment banking and private equity work. Mr. Al-Rahim was trained by Citibank, Morgan Stanley and Brown Brothers Harriman and was a managing director of the Washington D.C. based Carlyle Group.
- A Senior Partner will be responsible for day-to-day relationship with the Ministry and the general process advice. As independent adviser, his role will also be to ensure that the entire process, including the relationship between the Government, the factories, the bidders and the media, is fairly and transparently conducted. Eric le Blan has 25 years of banking experience with Warburgs and Saudi International Bank (50% owned by the Saudi Arabian Monetary Agency at that time), of which over 15 years as a Financial Advisor to governments, from Costa Rica to Indonesia to Russia and Saudi Arabia. He has been involved in several government asset sales and transfers, as well as budget management, debt restructuring and formation of capital markets.
- One Senior Executive with experience in analyzing and valuing a broad range of businesses will be responsible for assisting in the valuations and negotiations.
- For the negotiations and closing, MerchantBridge may make available the relevant financial negotiators for that sector/industry, if it is deemed to be required to achieve timely closure.

3 Costs & Basis of Remuneration

We expect the above scope to take a minimum of nine weeks. At your request, this Engagement Letter is for an initial contractual period of five weeks and we enclose separately a Renewal Engagement Letter for the following four weeks. For this initial period of five weeks, we expect to incur the following Costs and Expenses. The pricing below covers our basic internal and out of pocket expenses and we have therefore structured our profits as a success fee to be tied to actual performance.

3.1 Staff Costs

MerchantBridge staff costs, including hardship allowances, for 2 professionals and a Team Leader for a initial period of five weeks will amount to US\$ 135,000.

3.2 Expenses

MerchantBridge expects to incur out of pocket expenses in the performance of the services under this Engagement Letter for items such as travel and transport, communications, insurance and security, accomodation and office costs and local IT. These are budgeted at US\$ 65,000 for five weeks.

3.3 Success Fees

A success fee to remunerate MerchantBridge as a profit incentive for its assistance in realising value is calculated in the following way:

- In respect of each small factory, such list of small factories to be agreed between the Ministry and MerchantBridge, US\$5,000.
- In respect of each attractive factory, such list of attractive factories to be agreed between the Ministry and MerchantBridge, the higher of:
 - US\$15,000; or
 - 2.5% of the lease income for the first two years.
- In respect of each difficult factory, such list of difficult factories to be agreed between the Ministry and MerchantBridge, US\$25,000.

one Milli.
 550 000
 400 000

 950 000
 250 000

 700 000
 weekly

3.4 Payment Terms, Tax and Concessions

For the payment of staff costs and expenses of a total of US\$200,000, MerchantBridge proposes the following schedule of payment:

- US\$ 100,000 on signing of this Engagement Letter; and
- US\$ 100,000 on 14th February 2004.

The success fee will be payable upon signing of the lease documentation for each factory and receipt of payment. The success fee may be paid directly by the lessee.

All fees will be payable on their due date clear of withholding and other charges or deductions of whatsoever nature, if by transfer to:

Bank of New York
 1 Wall Street, New York, NY10015
 For the account of Coutts & Co, London
 Account number 8033089245
 For the credit of:

Coutts & Co International Private Banking

440 Strand, London, WC2R 0QS

IPB Reference: MerchantBridge & Co. Ltd. - MIMLEASE

Account number 10088520

For the attention of David Sargent

MerchantBridge is fully aware and hereby expressly agrees that in no case shall the Ministry, the factories or the Coalition Provisional Authority be liable to MerchantBridge for any costs in respect of this assignment other than those stipulated above.

MerchantBridge is fully aware and hereby expressly agrees that the Ministry will in no way be involved in applications by MerchantBridge for tax breaks, concessions, permissions and exemptions or in attempts by MerchantBridge to conclude any future agreements as a result its activities under this assignment.

4 Continuation

A separate Renewal Engagement Letter is attached to this letter. MerchantBridge commits to complete the assignment based on the terms of the Renewal Engagement Letter.

5 MerchantBridge's Authority

MerchantBridge is authorised by the Ministry to do anything which is reasonable or necessary either to perform the services set out in this letter (including to act as your agent) or to comply with any applicable laws, rules, regulations, authorisations, consents or practices as may be reasonable or appropriate and to act through agents, if their appointment has been previously approved by you.

MerchantBridge shall be entitled to assume that all officers of the Ministry from whom it receives instructions, or who execute or approve any documents on behalf of the Ministry are duly authorised to give any such instructions or to execute or approve any such documents by the Ministry.

6 Confidentiality

The terms of the separate Letter of Confidentiality dated 7th January 2004 form part of this letter. Furthermore:

- 1) MerchantBridge acknowledges that during the course of this assignment, certain official, private, financial other confidential information relating to Iraq, the Ministry and the factories will be disclosed to it. Confidential information, whether received before or after the date of this letter, shall not mean any part of such disclosed information or data which:
 - a) is in or comes into the public domain in any way without breach of this letter by MerchantBridge; or

- b) MerchantBridge can show that the information was in its possession or known to it by being in its use or being recorded in its files or computers or other recording media prior to receipt from the Ministry, the factories or another ministry of Iraq; or
 - c) MerchantBridge obtains or has available from a source other than the Ministry, the factories or another ministry without breach by the Ministry or such other source of any obligation of confidentiality.
- 2) All confidential information which MerchantBridge receives from the Ministry and the factories will be held in absolute and complete confidence and will not be disclosed by MerchantBridge nor will it be used for any purpose other than to enable it to fulfil its obligations under this Agreement unless the Ministry consents to its disclosure or use by MerchantBridge or MerchantBridge is otherwise entitled to disclose or use confidential information by reason of this Clause. MerchantBridge will also be entitled to disclose such confidential information under compulsion of law. In addition MerchantBridge will be entitled, if requested or required to do so, at its discretion, to disclose any confidential information to the Ministry or the factories' other advisers.
 - 3) All communications between the Ministry, its staff, MerchantBridge and its staff and advisers (the "Parties") shall be confidential to the Parties, their employees and advisers and may not be disclosed to other third parties except with the consent of the Parties, or as may be required by law or any applicable regulations or in connection with any legal obligation arising from the provision of services under this Agreement.
 - 4) The provisions of this section shall survive any termination of MerchantBridge's appointment pursuant to this letter.

7 Termination

This engagement may be terminated (1) by either of us at any time if the other party commits a material breach of this agreement or a material breach of the terms of the Letter of Confidentiality and this breach is not remedied or action to remedy this breach is not taken within 15 days of the formal notification thereof; or (2) by either of us at any time 15 days after the start of our work by a 15-day written notice to the other party, provided however, that our success fees will still be due if you enter into a lease agreement in the 12 months following such termination by you, unless such termination is due to a material breach in the terms of this agreement or a material breach in the terms of the Letter of Confidentiality.

8 Governing law

This letter is governed by and shall be construed in accordance with English law and the parties hereby irrevocably submit to the non-exclusive jurisdiction of the English Courts.

MERCHANTBRIDGE

If you agree the terms of this Engagement Letter, please acknowledge acceptance by signing and returning a copy at your earliest convenience and confirming that the transfer of the first payment of US\$100,000 has been made in accordance with the enclosed transfer instructions.

We very much look forward to working with your Ministry in respect of this important project, as we believe that the success of this project will create the framework for the future privatisation programme.

Yours faithfully
For and on behalf of
MerchantBridge & Co. Ltd.

EXECUTED BY BASIL AL RAHIM

Basil Al Rahim
Managing Director

Duly confirmed and accepted:

Signed: EXECUTED BY HIS EXCELLENCY THE MINISTER
For and on behalf of the
The Ministry of Industry and Minerals

Date:

Appendix 1: Summary References

We list below our industry and Government work references:

1. Relevant Industry Knowledge

- Turn-key involvement in all aspects of building the company MIDEN as a new wireless communications company in Morocco including identification of the opportunity, negotiations with government regulators, securing of partners and equity, selection of equipment vendors and securing the operator.
- Acted as advisor to Vice Chairman of Huntsman Chemical Corporation, the largest privately held chemical company in the world, on potential opportunities in diverse markets including India, Vietnam and the Middle East.
- Served as principal advisor to Litton Industries on Offset investments for Saudi Arabia and Middle East.
- Key advisor to the founders of Broadnet, a joint venture start-up broadband wireless provider which holds the largest number of operating licenses awarded to any single company in Europe
- Advisor to Cable and Wireless / Batelco on joint venture in Kuwait with a leading businessman and a local bank to develop an internet backbone (Qualitynet)
- Advisor to Cable & Wireless on its overall MENA strategy and the identification of joint venture partners for Egypt, Saudi Arabia and Oman
- Advisor to GEC plc on the offset programme in the UAE
- Feasibility study for the creation of a new bank specializing in trade finance and large capital transactions in two Gulf countries
- Advisor on the overall financial structure and negotiation with finance provider in respect of the financing of a major landmark building in Riyadh
- Paints and Chemicals – Lead manager and bookrunner for \$90 million Egyptian GDR
- Mandated to lead manage first Omani GDR, prospective issue for Bank Muscat
- Advising a consortium of US, Far Eastern and Japanese investors on a potential petrochemical project in the Kingdom of Saudi Arabia.
- Advising two UK based mining/minerals groups on possible minerals projects in Saudi Arabia, including raising equity and debt and finding local partners.
- Advising on establishment of a medical recovery service in Saudi Arabia.
- Advising Saudi industrial group on acquisition of Canadian/French chemical business.

2. Asset Sales and Government Advisory Experience

- Advisor to the UK Government on the Al Yamamah Economic Offset Program in Saudi Arabia
- Pre-IPO equity finance and balance sheet restructuring for JUMBO, a durable goods manufacturer in Turkey, which provided the company with a basis for future growth while allowing protection for minority shareholder

MERCHANT BRIDGE

- Advisor to Shell International Petroleum (UK) on the restructuring of its retail petrol stations, lubricating oil and storage business in Oman and the listing of Shell Marketing Oman on the Muscat Securities Market (MSM) at \$ 110 million.
- Advisor on the regulatory and commercial standards, including due diligence, valuation methodologies and role of advisors for the first bank merger in GCC
- Joint Leader responsible for the formation of an independent securities exchange ("Tadawul"), advising on rules and regulations, technical infrastructure and financial planning for the listing, trading, clearing, settlement and registration of equity and fixed-income instruments.

Appendix 2: Permanent Resources on this Assignment

1. Basil Al Rahim

A career of 28 years spent in the banking industry covering commercial banking, investment banking and private equity work. Mr. Al-Rahim has spent the last eight years in London as Managing Director and CEO of an FSA regulated and authorised private equity and corporate advisory firm which he founded in partnership with a number of large institutional investors. Prior to that he was based in Washington D.C. where he founded and was Managing Director of Carlyle International the Group's international subsidiary. During this period he had occasion to work alongside Mr. Frank Carlucci (Group Chairman and ex-Secretary of Defence) as well as Mr. James Baker (Group Senior Counsellor and ex-Secretary of State). Mr. Al-Rahim has spent time as a Senior Advisor to Riggs National Bank and a number of years running a privately held investment company. He has also worked for Gulf International Bank in Bahrain as a credit and lending officer and in London as a foreign exchange dealer upon graduating from the American University in Beirut. Mr. Al-Rahim has received his commercial banking training at Citibank and his investment banking training at Morgan Stanley and Brown Brothers Harriman in New York. He is a member of the Canadian Securities Institute and registered with the U.K. Financial Services Authority.

2. Eric le Blan

Eric le Blan joined S.G. Warburg & Co. Ltd in 1978: as an Assistant Director of the Overseas Advisory Division (known as the "Troika"), Eric le Blan advised over 8 countries, including Indonesia, Costa Rica, Zaire and many other African countries in respect of their international debt and development of capital markets. Eric le Blan organised the first London Club of commercial creditors, participated in several successful Paris Clubs of bilateral and multilateral creditors and advised on several specific project related financing. He advised several countries (Zaire, Congo-Brazzaville) on budget and public resources management and conducted several public asset sales (Public sector bank). In 1987, Eric le Blan moved S.G Warburg Securities Ltd. and jointly created and managed one of the first Swaps and Options Desk, specialising in tax and asset swaps.

In 1992, Eric le Blan joined Saudi International Bank in London as Head of Risk Management Services, supervising all corporate sales, client advisory services and client and proprietary trading in financial derivatives. After four years, Eric le Blan moved to the Corporate Finance team of the bank, to provide advice to Middle Eastern governments in respect of the development of their capital markets. Over four years, Eric le Blan led several projects in the region including the formation of an independent securities exchange, the formulation of the key regulatory and technical projects to develop liquid and transparent markets in a prestigious Middle East country, the drafting of all regulatory and commercial financial standards and the definition of the regulatory standards to be applied to the first bank merger in that country.

3. Timothy Holder

Timothy Holder has extensive corporate and project finance experience, across a broad range of sectors, with much of it gained in the Middle East. Tim Holder spent the first five years of his professional career with Price Waterhouse ("PW") in London, where he qualified as a Chartered Account. During his time at PW, he was responsible for the audit of a number of the UK's leading industrial companies and was also extensively involved in a range of privatisation assignments, including British Airport Authorities. After two years in the strategic consultancy division of Coopers & Lybrand in London, he joined Schroders, one of the UK's leading investment banks, and now part of Citigroup.

During a ten year career at Schroders, Tim Holder was heavily involved in the firm's Middle East activities with particular responsibility for advising the UK Ministry of Defence in connection with the multi billion dollar, Al Yamamah Economic Offset Programme in Saudi Arabia. This pioneering programme governed by a Memorandum of Understanding between the two governments, seeks to broaden the industrial base of Saudi Arabia through the transfer of technology by way of profitable joint ventures between local and international companies. The Programme has enjoyed considerable success and has played an important role in the ongoing development of the Kingdom's industrial diversification efforts. Major projects include a US\$1 billion integrated aromatics to polyester facility with BP technology, a US\$200m sugar refinery with Tate & Lyle, a pharmaceuticals plant with Glaxo Wellcome and most recently a US\$600m integrated propane dehydrogenation and polypropylene facility. Tim Holder has also been heavily involved in a number of significant corporate and project financings in the region including the first ever limited recourse project financing in the Lebanon for a \$100m expansion to a cement producer, which was undertaken with support from the IFC as well as advising on a number of successful financed chemical projects in the Gulf.

Furthermore, he has advisory experience on privatisation work in Egypt and Greece. In 2000, Tim Holder established the Bahrain office of Close Brothers, the UK investment bank, during which time he advised on project financings in Saudi Arabia and Oman, complex valuation and strategic advisory work to two aluminium companies in Bahrain as well as a number of capital raisings and corporate finance assignments.

4. Abdallah Lahoud

Abdallah Lahoud has 8 years experience in banking and private equity gained with Safron a private equity firm in London and with the research department of Bank Audi in Lebanon. At Safron, he evaluated over 200 companies in more than 10 industrial sectors in a number of emerging market countries and in many cases performed detailed due diligence and prepared business plans, built valuation models and successful strategies. In particular he was involved in the set up and later sale of a telecommunication company in Morocco, the buy out of an ISP in Turkey and an investment in a cutlery manufacturing company in Turkey. He is experienced in negotiations, and the process of sale and purchase of companies including all legal documentation.

During his time at Bank Audi, Mr. Lahoud researched and analyzed a number of industries in Lebanon post-war and was part of a team that studied the effect of the reconstruction on the overall economy and particular sectors. Mr. Lahoud's team also was considered the main authority on macro-economic data supplying major International agencies and even the Lebanese Ministry of Finance and many times advising it on required steps. Mr. Lahoud has a BA from the American University of Beirut and an MBA from Columbia in New York.

5. Rashad Faraj

Rashad Faraj has over 8 years of Banking experience. He began his career as a Corporate Banker with the National Bank of Bahrain in 1994, primarily servicing the largest companies in Bahrain (Aluminium Bahrain, Bahrain National Gas, Large conglomerates and construction companies) and participating in the large syndicated loans in the region. He then moved to corporate clients in Saudi Arabia and was involved in beginning and building the bank's exposure in that market.

He later joined Citicorp Venture Capital Emerging Markets in London and helped build the bank's private equity book in the Middle East, Africa, Central and Eastern Europe. He analysed, valued and managed the bank's relationship in a number of investee companies and participated in the sale of a number of assets. Most directly, he was involved in a pharmaceutical manufacturer in Jordan, a television station in Bangladesh, a telecommunications company in Africa and an optical cable company in the Czech Republic.

Having left Citibank for Safron, a Private Equity firm in London, Rashad Faraj continued to pursue private equity opportunities from the initial exploration of potential investments, to conducting detailed analysis and due diligence, to the presentation of reports and making final recommendations.

Mr. Faraj holds a Bachelors degree in Economics and International Relations from Tufts University in Boston and an MBA from the London Business School.

MERCHANTBRIDGE

1st March 2004

His Excellency
Mr Mohammed Tawfik Raheem
Minister of Industry and Minerals
Ministry of Industry and Minerals
Baghdad - Iraq

Lease of Industrial Factories

Renewal Engagement Letter – March 2004

Your Excellency,

We refer to our Initial Letter of Engagement in respect of the Lease of Industrial Factories, a copy of which is attached hereto. MerchantBridge is proposing to renew the engagement for a further four weeks on the same terms, except where expressly stipulated below, starting on or about 20th March 2004 (the "Commencement Date").

1 Conditionality

The Terms of this Renewal Engagement Letter will become valid and enforceable once the Ministry and MerchantBridge jointly have been able to raise from third party sources the required finance to satisfy the costs and expenses mentioned thereafter. In case that such additional finance cannot be raised totally from third party sources, MerchantBridge will be compensated from an allocation of the initial payment due from the lessees.

2 Costs & Basis of Remuneration

To continue the delivery of the Scope of Work as per the Initial Engagement Letter, and in accordance with your instructions, we propose to renew the terms for a further two weeks. For this period we expect to incur the following Costs and Expenses:

2.1 Staff Costs

MerchantBridge staff costs, including hardship allowances, for 2 professionals and a Team Leader for the four weeks is US\$ 105,000.

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Tel: + 44 (0) 20 7881 1200 Fax: + 44 (0) 20 7881 1201
Registered in England No. 3200494
www.mbih.com

Authorised and regulated by the Financial Services Authority

2.2 Expenses

MerchantBridge expects to incur out of pocket expenses in the performance of the services under this Renewal Engagement Letter for items such as travel and transport, communications, insurance and security, accomodation and office costs and local IT. These are budgeted at US\$ 55,000 for the period.

2.3 Success Fees

No additional Success Fees are applicable in respect of this Renewal Engagement Letter. However, the Success Fees set out in the Initial Engagement Letter shall continue to apply as set forth therein.

2.4 Payment Terms, Tax and Concessions

For the payment of staff costs and expenses of a total of US\$ 160,000, MerchantBridge proposes the following schedule of payment:

- US\$ 160,000 four weeks after the Commencement Date.
- All Staff and Expenses incurred under this Renewal Engagement Letter or any Continuation thereof shall be the responsibility of the Ministry and shall incur a penalty of 1% per month until paid.

All fees will be payable on their due date clear of withholding and other charges or deductions of whatsoever nature, if by transfer to:

Bank of New York

1 Wall Street, New York, NY10015

For the account of Coutts & Co, London

Account number 8033089245

For the credit of:

Coutts & Co International Private Banking

440 Strand, London, WC2R 0QS

IPB Reference: MerchantBridge & Co. Ltd. - MIMLEASE

Account number 10088520

For the attention of David Sargent

Or by cheque drawn on an Iraqi bank made payable to Eric le Blan on behalf of MerchantBridge.

MerchantBridge is fully aware and hereby expressly agrees that in no case shall the Ministry, the factories or the Coalition Provisional Authority be liable to MerchantBridge for any costs in respect of this assignment other than those stipulated above.

MerchantBridge is fully aware and hereby expressly agrees that the Ministry will in no way be involved in applications by MerchantBridge for tax breaks, concessions, permissions and exemptions or in attempts by MerchantBridge to conclude any future agreements as a result its activities under this assignment.

3 Continuation

The terms of the Engagement Letters may be renewed for further periods by mutual agreement between the Ministry and MerchantBridge. In case that the first programme of lease extends beyond the anticipated nine weeks of work, MerchantBridge will be prepared to extend the contract until terminated by the Ministry at the same rate of US\$40,000 per completed week.

In case MerchantBridge is required to take responsibility for drafting and reviewing all the legal agreements and documentation needed in conjunction with negotiations and closing, then the weekly fee shall be increased accordingly by mutual agreement. Such legal work will not be undertaken without the prior express approval of the Ministry.

4 Confidentiality

The terms of the Initial Engagement Letter and the separate Letter of Confidentiality dated 7th January 2004 form part of this letter.

5 Termination

This engagement may be terminated (1) by either of us at any time if the other party commits a material breach of this agreement or a material breach of the terms of the Letter of Confidentiality and this breach is not remedied or action to remedy this breach is not taken within 15 days of the formal notification thereof; or (2) by either of us at any time 7 days after the start of our work by a 7-day written notice to the other party.

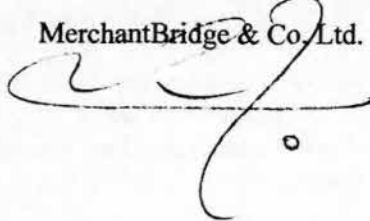
6 Governing law

This letter is governed by and shall be construed in accordance with Iraqi law and the parties hereby irrevocably submit to the non-exclusive jurisdiction of the Iraqi Courts.

MERCHANT BRIDGE

If you agree the terms of this Renewal Engagement Letter, please acknowledge acceptance by signing and returning a copy of this letter.

Yours faithfully
For and on behalf of
MerchantBridge & Co. Ltd.

A handwritten signature in black ink, appearing to be 'Basil Al Rahim', written over a horizontal line.

Basil Al Rahim
Managing Director

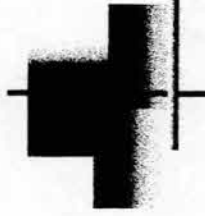
Duly confirmed and accepted:

Signed:

For and on behalf of the
The Ministry of Industry and Minerals

Date:

MERCHANT BRIDGE



EVALUATION PROCESS

Ministry of Industry and Minerals Lease Program

February 2004

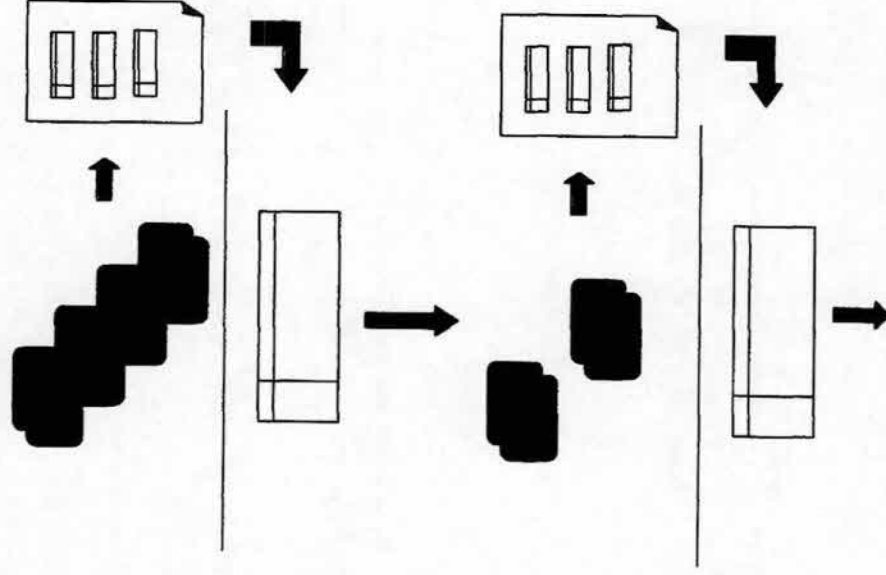
Evaluation Process – A Typical Day

- 9-11 am Evaluation of Quality of bidders for 1, 2 or 3 Factories by Groups

- 11-12 am Results analysed by Steering Committee

- 12am-2pm Evaluation of Technical and Business Analysis By Groups

- 2-3pm Results analysed by Steering Committee



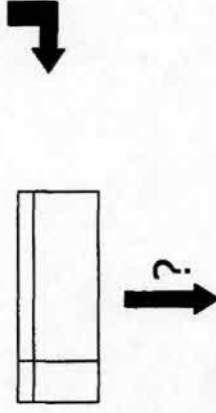
Invitation for Final Offer

Evaluation Process – A Single Bidder

- 9-11 am Evaluation of Quality of bidders for 1,2 or 3 Factories by Groups



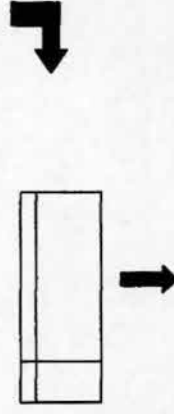
- 11-12 am Results analysed by Steering Committee




- 12am-2pm Evaluation of Technical and Business Analysis By Groups



- 2-3pm Results analysed by Steering Committee



Invitation for Final Offer



Information for Evaluation

- One Cover note from Steering Committee
 - Completeness of Information (bid bond, confidentiality form...)
 - Background Information on Bidder
- One MASTER Form of Evaluation; copies of the form of evaluation for each member of the Group
- Relevant Copies of Documents from Bidders with all financial information removed
- One Company Profile

Timetable

23 factories
no voids
12-10-05

Thereafter

- Construction / Engineering
 - Monday 9th February
 - Thursday 12th February
 - Monday 16th February
 - Thursday 19th February
 - ... Every Monday and Thursday
- Chemical / Food & Drugs
 - Tuesday 10th February
 - Saturday 14th February
 - Tuesday 17th February
 - Saturday 21st February
 - ... Every Tuesday and Saturday

■ First Evaluation on
Saturday 7th February
2004

- 2 Chemical
- 2 Food and Drugs

■ First Evaluation on
Sunday 8th February 2004

- 2 Construction
- 2 Engineering

MERCHANTBRIDGE

30th January 2004

Dr Walid Elias Khiddr
Senior Advisor
Ministry of Industry and Minerals
Baghdad - Iraq

Copy to:
His Excellency Mr Mohammed Tawfik Raheem
Minister of Industry and Minerals

Contract for Hiring of Power Plants and their Operation through Purchase of Service

Dear Dr Walid,

As agreed, we have looked through the proposed contract for hiring power plants and their operation through purchase of service. We also read your proposed Letter of Guarantee, and had access to the draft of a Standby Letter of Credit prepared by CPA Council.

As we understand it, the purpose of the contract is as follows:

- AKSA ENERJI URETIM A.S, (the "Contractor") will design, build and operate a 60 MW power plant (the "Facility") in the Al Qaem region for a period of sixty four and one half months, including deployment of up to four and one half months.
- The State Company of Phosphate Fertilizer and Iraqi Cement Co. Al Qaem Cement Plant (the "Purchaser") is required to purchase electricity produced by the Facility at a price of US\$0.0318 per kWh. The fuel required by the Facility is offered free of charge to the Contractor by an unknown party and for an unspecified duration.
- The Contractor retains title to the Facility at least throughout the term of the contract and may retain title thereafter.
- A revolving standby letter of credit issued by the Trade Bank of Iraq guarantees the payment for the electricity to the Contractor.

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MERCHANT BRIDGE

Overall, and dependent upon the final holder of title to the Plant, these terms may be better described as a "design, build and operate" contract or a "concession" contract.

As we are aware that this is an urgent matter for the Ministry of Industry and Minerals, we are providing as an appendix our comments on the most important points which need to be addressed. This is provided to you at no charge. We have not commented on tax, consequential damages, arbitration and similar issues as your lawyers had already provided some feed back to you on these matters.

The documents which we have received did not contain any form of documentation to ensure the proper performance of the contract during its life, such as performance guarantees. The Letter of Credit prepared by the CPA covers many points, including a revolving facility, which should be addressed in the contract. This creates ambiguity. Such ambiguity seems to favor entirely the Contractor and we have commented on some of those in the Appendix.

Overall, we are concerned that the entire structure does not adequately protect the Ministry of Industry and Minerals, the Ministry of Electricity and the Purchaser in its present form and in the present circumstances in Iraq. The only remedy to Iraq in case of non-performance seems to be the termination of the Contract.

As this structure will create a precedent for future contracts in Iraq, we strongly advise that the structure and all its documents are properly reviewed based on the standards of best practice in the region, to ensure that all parties to the contract are fairly treated and adequately protected.

As the contract stands, it is likely that a significant amount of work will be required from advisors to ensure that all obligations are fully met in the manner required by the contract by the relevant parties during the entire life of the contract.

Yours faithfully

(b)(6)



Appendix

Commentary arising from the draft contract for hiring of power plants and their operation through purchase of service between the State Company of Phosphate Fertilizer and Iraq Cement Company (Al Qaem Cement Plant) (the "Purchaser") and Aksa Enerji Üretim AŞ (the "Contractor") (the "Contract").

General Structure

The title of the contract is a "hire" contract which does not seem to apply to the intent of the transaction. We feel that a transfer mechanism must be clearly detailed to address how the different parties will interact at the end of the contract. If title to the equipment is retained by the Contractor at the end of the contract (notwithstanding the peripheral equipment such as connection to the grid, land usage, etc.), then it would be advisable to draft the contract on the basis on best practice in the region for projects of this type, e.g. a "Build, Operate, Transfer" which would include the clauses required to ensure the transfer of the Facility in case the Contractor fails to operate; and a separate "off-take" contract with respect to the supply of electricity only.

Payments

From the terms of the contract, the precise remuneration structure is unclear. It appears from Article 21 that the payment structure is divided between a Service Charge and a Hire Charge.

The Service Charge is an annual payment made in respect of the costs of deployment and operation of the Facility. The precise amount for this Service Charge is to be determined during the contract period. Clarity is required on whether this Service charge should be front-loaded to reimburse the Contractor his deployment costs in the first year of operation or should be amortized during the term of the contract, a normal arrangement for this type of contract.

The Hire Charge is effectively the cost of electricity provided as defined in Article 3.24 of the Contract as the "monthly payment for electric power".

This payment structure is what is apparent from a cold read of the contract. Amendments may be required if this is not the intended payment structure. In certain other parts of the Contract, and in the Standby Letter of Credit, there is no differentiation made between the Service Charge and the Hire Charge.

Off-take

According to Article 14, the Ministry of Electricity and the Purchaser shall "take all measures to take and distribute the energy produced by the Facility". Therefore, the Ministry of Electricity and the Purchaser could be subject to a claim by the Contractor if they do not off-take all the energy produced by the Facility. A more detailed clause regarding guaranteed off-take could be inserted.

Title to the Facility

There is no specific Article which details who owns title to the Facility at the end of the term of the Contract. It is implied by the statement in Article 6 that "if the Contract will not be extended, the Contractor has right to disassemble all engines and related equipment and send out of the country" but does not address the issue of ownership of the Facility. The Ministry of Industry may wish to include an obligation on the Contractor to transfer the Facility to the Ministry at the end of the Contract, if it is the intent. The contract is ambiguous in this regard.

Force Majeure

Due to the current unrest in Iraq, a more detailed force majeure clause may be required. In particular, the Standby Letter of Credit includes "acts of terrorism, war or a war-like nature" which does not correspond to the definition in the Contract.

Order 39

The incorporation of the provisions of Order 39 into the Contract will be subject to the ratification of Order 39. If Order 39 is not ratified by the post-30 June government then the Contractor cannot be guaranteed the benefit of the freedom for foreign companies to invest in Iraq provided for in Order 39. This could give rise to a claim against the Purchasers if the legal structure which the Contractor adopts in Iraq is unlawful.

Parties

In order to impose direct obligations upon the Ministry of Industry and the Ministry of Electricity, the Contractor may insist that they become parties to the Contract.

Spare Parts

The Purchaser may insist on an obligation on the Contractor to maintain a supply of spare parts at the Facility.

THE COMPANIES THAT HAVE FINISHED FIRST NEGOTIATION

Date	Bidder	Factory
26 / 2 / 2004	Sami Al-Abbd Group	Plastic Bags
29 / 2	LeadStay	Mosul Dairy
18 / 3	Baiara	Mosul Dairy
11 / 3	Coia	Jelly Filled Phone Cable
8 / 4	Kubba	Jelly Filled Phone Cable
13 / 3	Coia	Electric Cables
8 / 4	Kubba	Electric Cables
17 / 3	Saqir Al-Khaliej	Extrusion & Oxidizing
17 / 3	Al-Riyadh Electric Cables	Domestic Wires
8 / 4	Kubba	Domestic Wires
14 / 3	Coia	Fiber Optics
22 / 3	Sultan Centre	Fiber Optics
8 / 4	Kubba	Fiber Optics
20 / 3	Iraqi Development	Steel Structure
23 / 3	Sultan Centre	Steel Structure
25 / 3	Al-Omar Group	Steel Structure
27 / 3	Al-Jenoub	Steel Structure
27 / 3	Waleed & Al-Khurafi	Steel Structure
4 / 4	Globe Enterprises	Steel Structure

6 / 4	Hancock	Steel Structure
20 / 3	Globe Line	Starch & Dextrin
1 / 4	Al-Durra	Starch & Dextrin
5 / 4	Tariq Al-Azawi	Starch & Dextrin
22 / 3	Globe Line	Rubber
23 / 3	Globe Line	Sugar & Warehouse & Dock 11
3 / 4	Etsun	Sugar & Warehouse & Dock 11
3 / 4	Wellington	Sugar & Warehouse & Dock 11
13 / 4	Al-Omar Group	Sugar & Warehouse & Dock 11
14 / 4	Mass Jordan	Dock 11
23 / 3	Al-Nour	Batteries
28 / 3	Al-Thora	Egg Trays
29 / 3	Barka	Egg Trays
30 / 3	Dihook	Egg Trays
30 / 3	Sarkoot Mahsoom Al-Jaff	Egg Trays
28 / 3	Al-Thora	Waste Compacting
28 / 3	Al-Thora	School Copybooks
30 / 3	German Iraqi Co.	School Copybooks

[illegible]

LEASE STEP-BY-STEP PROCEDURE

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Introduction

The manual presented below describes step-by-step the whole standard lease transaction process. However no manual can replace the practice. Otherwise having read the manual of operating a car would be enough to be able to drive it well and safely. Therefore, the aim of this manual is to convey the basic information of the procedure and to give some examples of relevant transaction documents.

At the beginning the process will be shown in bullet points. Each of them will be next discussed in detail. It must be remembered however that in Iraqi circumstances some of SOEs will not need undergo this full standard procedure.

Standard and limited procedure

To make lease transaction the Ministry should be first convinced (persuaded) that this type of contract is advantageous for a given SOE. Next the Ministry should obtain standard set of documents which show the present status of SOE and which will be used for selection of bidders, negotiations and signing the contract (financial analysis, legal due diligence, valuation, etc). In the next phase of the process, the formal and transparent procedure to select the best bidder must take place. It encompasses public announcement, collecting the bids, negotiations, bidders' due diligence and finally signing the contract.

Usually the complexity of the process differs depending on several factors (size, significance, trade secrets of a given SOE, their operational status, etc). Based on two of these criteria (size and operational status) we produced the matrix of possible approaches to Iraqi SOEs put on lease. "Full" means the need to procure all standard documents and use standard transaction procedure. "Limited" means more limited requirements as for documents and procedures. In the text below we will mark how limited approach may look.

	large	medium	small
fully operational	full	full	limited
partly operational	full	either or	limited
non operational	limited	limited	limited

Elements of the lease transaction (bullet points)

1. selection of SOE for lease transaction
2. preparation of Request for Proposal or Terms of Reference for the selection of the advisors
3. selection of lead advisor and other advisors
4. the advisors' preparation for the transaction process and the Ministerial supervision
5. public invitation for tender / for negotiations
6. distribution of flyers and Offering Memorandum
7. collecting non-binding / initial offers
8. request for additional information and clarification of the initial offers
9. selection of bidders' short list
10. delivery of lease draft agreement to short listed bidders
11. limited due diligence performed by short listed bidders
12. collecting binding offers
13. the first round of negotiations
14. granting exclusivity to one bidder
15. final round of negotiations
16. signing of lease agreement
17. insure all regulations and conditions are met prior of the closing of the deal
18. closing the deal

In some cases this standard procedure can be simplified. The SOEs suited for limited approach can undergo the procedure without several steps mentioned above or with several steps squeezed up together. In the further part of the manual, every time we will touch the issue of the simplified procedure we will use the graphic symbol shown below.



Selection of SOE for lease transaction

Initiative may come from:

- the potential bidder, who wants to lease a given SOE
- the Ministry, which wants to give a lease of a given SOE because of some reasons (to improve performance, knowledge of potential interested parties, etc)
- the management of SOE (regardless whether it is a potential bidder or not), which sees leasing contract as the development opportunity for SOE and for themselves.

If selection decision is to be taken based on Ministerial initiative or SOE management initiative it should be based on the proper substantiation. That can take the form of some standard written explanation, e.g. SWOT analysis of lease contract for a given SOE.

Decision to select a given SOE is

- in the Minister's hands or
- in the power of special interministerial committee



The SOE selection can be the outcome of the long and hard work of large group of people or can be done based on discretionary power of the Ministry. In case of Iraqi SOEs the selection decision appear to be rather imple.

Preparation of Request for Proposal or Terms of Reference for the advisors

In order to prepare and execute the transaction, the Ministry should have the well defined set of information: about the SOE itself and potential bidders as well as it should hire the experienced advisors to run, on behalf of the Ministry, the whole process outlined above in bullet points.

Type of advisors and two models of supervising them

To prepare and execute transaction the Ministry will need to hire advisors with various experience.

Usually the following professionals are needed:

1. business consultants to prepare business and financial report
2. M&A specialists to prepare the sale documents and execute transaction
3. accountants to prepare financial statements or audit financial statements if they exist
4. lawyers to prepare legal audit and next draft lease contract

Business consultants and M&A specialists are sometimes the same team

Sometimes the other professionals are required:

5. environmental auditors to assess environment related issues (level of pollution, cleaning costs, etc)
6. industrial specialists to make detailed study of present status and future prospects of SOE's assets

There are two general models of dealing with the advisors.

1. Model 1

The Ministry hires separately each of them and plays the role of active coordinator and project manager of the whole transaction. Responsibility for day-by-day efficient running of the transaction lies in the Ministry's hands

2. Model 2

The Ministry hires a lead advisor responsible for the coordination of all advisors needed to complete transaction. Ministry reserves the power to take key decision based on the reports prepared by the advisors. Responsibility for all current advisors activities lies in lead advisor hands.

If model 2 is chosen, there should be the clear cut statement in TOR or RFP that the lead advisor must perform all tasks listed in the scope of work. If needed the lead advisor must subcontract other firms to do these tasks. Simultaneously the lead advisor must undertake the full responsibility for the whole advisory work and be the only point of contact for the Ministry.

Model number 1 consumes a lot of time of the coordinator and might be used by the Ministry in small and simple transactions. Model number 2 is used in majority of cases. It gives the Ministry much more resources freed to other activities and locates one point of responsibility for all advisory work.

Scope of the advisors' work

To obtain the required set of information, it is needed to take professional companies which will make the appropriate analyses and deliver the proper reports. Next, some of them will run the execution phase of the process. During that phase the transaction documents are to be prepared:

- Public invitation for tender / for negotiations
- Summary Offering Memorandum
- Offering Memorandum
- Letter of Confidentiality
- Draft lease contract

Besides the preparation of these documents, the advisors will:

- run negotiations with the Potential Lessees on behalf of the Ministry
- run the whole transaction process

The Ministry will require the following set of information on a given SOE to be provided:

- business and financial report describing:
 - business profile (organization structure, marketing, cost analysis, etc.)
 - technical assessment (asset and technology description) giving the owner the general insight into technological level of SOE.
 - SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis
 - business plan for the next few years or at least description of management intentions
- The complexity of the report depends to a large extent on SOE size and operational status.
- valuation of SOE. Preferably using two methods.
 - presentation of financial statements in accordance with Iraqi and GAAP principles for the last day of the month preceding the month of submission of the report or (if possible) – auditor's due diligence
 - legal due diligence (with threats assessment) report
 - if necessary, the conduct of physical inventory count (stock taking) of the inventory and property, plant and equipment
 - if necessary, environmental audit
 - if necessary, full technical audit

The bigger SOE and the more significant for the economy it is, the more preparatory work should be done to get the detailed and right picture of a given SOE. Based on this data Ministry will be well prepared to negotiate efficiently the lease contract with interested parties.



As for smaller SOE and/or of non-operational status, the simpler reports of advisors are needed. They need primarily detailed physical inventory count (stock taking) of the inventory and property, plant and equipment as well as financial statements in accordance with Iraqi and GAAP principles. The Ministry needs also a valuation.

General good advise for the Ministry is to describe the scope of required work as detailed as possible. The aim is to avoid any ambiguity what should be done. All ambiguities may be used by the advisor to limit its scope of work. Description of the required scope of work to be done may amount between 3 and 8 pages.

We assume here, that SOEs selected for lease contract will not undergo any substantial turn-around process prior to being offered for lease (spin off, downsizing, re-engineering, etc). Otherwise we would have ministerial run turn-around process and not a lease transaction.

Terms of reference or request for proposal

To make the process of hiring the lead advisor efficient and transparent, Terms of Reference (TOR) or Request for Proposal (RFP) should be worked out. The role of TOR or RFP is crucial for the later stages of the process. The better guidelines are

given to potential advisors how to prepare the offer, the better offers and more suited to our needs can come and the easier will be to compare them and to select the best.

Terms of Reference or Request for Proposal includes:

1. the name of the Ministry which intends to lease a given SOE;
2. the name of SOE to be leased plus few basic information about it;
3. description of the scope of work required by the Ministry;
4. the time of execution of particular tasks of the advisor and timetable of the whole project
5. very detailed description of the required content and format of the offer submitted by the potential advisor, including fees. The more detailed description is the less uncertainty is on the side of potential advisor what must be done to meet Ministerial expectations;
6. clear set of the formal, financial and professional criteria which must be met by any potential advisors (e.g. relevant experience, excerpts from the register, financial statements confirming the financial situation of the potential advisor, etc.);
7. criteria for the offer assessment by the Ministry;
8. the copy of the contract to be signed by the potential advisor and returned to the Ministry;
9. the deadline of the submitting the offers (day, hour, place, outlook of the sealed envelope with the offer)

The examples of the specific information to be provided may include but are not limited to:

- Deal team members' CVs (only those who will perform the work)
- Relevant experience in M&A and lease transactions (as it relates to team members)
- Team depth (ability to work on multiple transactions)
- Regional presence
- Arabic speakers on the team
- Ability to provide documents in Arabic and English
- Willingness to incorporate local Iraqis into the team (if the advisor is not the Iraqi firm)
- Billing rate
- Aggregate bid
- Ability to commence work with short notice
- Ability to meet tight deadlines
- References

TOR or RFP may require to pay a deposit by any person submitting the offer to perform advisory work. The deposit can be cash, bank guarantee or warranty, promissory note with bank warranty, etc. This is the measure to exclude or at least to limit the number of the offers which cannot be taken seriously anyhow, because are

prepared by nonprofessionals, mentally disordered, etc. The deposit should not exceed the equivalent of US\$ 10 000.



Limited approach to SOE does not necessarily mean shorter and simpler TOR or RFP. We can even say that the simpler and shorter advisors' work is needed the more detailed and precise description of this work is needed.

Selection of lead advisor

The Ministry's task force

To select the lead advisor the Ministry can set up some special team or committee to review the offers coming and follow the tender procedure guaranteeing the transparency. This team (committee) can be set up ad hoc whenever the tender is organized or can be a permanent ministerial body.



We recommend that the Ministry's special team should be set up regardless of number of SOEs earmarked for lease and regardless of the complexity of the process

The public announcement content

Having TOR or RFP ready the Ministry announces in domestic and sometimes (in case of more complex transactions) foreign press the public tender to select the advisor. The public announcement should be short and include:

1. date
2. the name and the address of the Ministry announcing the tender
3. the subject of the tender (e.g. lease transaction concerning companies x,y,z). Few sentences about each company may be included.
4. very short description of the work required to be done by the advisor
5. statement that detailed TOR or RFP is available in Ministry's headquarters at the price ... up to
6. deadline to submit the offers
7. signature of the Minister

One or more deals per one advisor



The standard procedure is to select the separate advisor to each separate transaction. In Iraqi circumstances however, majority of SOEs are relatively small and simple. In those types of situations tenders for the advisors for multiple transactions simultaneously may be considered.

How to assess the offers from potential advisors

All bidders should know what the offer assessment criteria are and how much each part of the offer contributes to the general assessment of the offer.

In general there are the following criteria:

Formal

1. compliance of the offer with TOR
2. submission of all required statements (no conflict of interest, no legal obstacles enumerated in TOR against performing the work, security clearance if needed, etc)
3. statement that the bidder is ready (if selected) to sign the advisory contract attached to TOR
4. other (like e.g. willingness to incorporate local Iraqis into the team (if the advisor is not the Iraqi firm))

Professional

1. description of the industry where a given SOE operates (to confirm the advisors know this branch of economy in the Middle East region)
2. action plan and timetable of the realization of the lease process
3. experience in that industry
4. experience in this type of transactions
5. quality of key persons involved in the process

Financial

1. the price

The rules of the tender may state that maximum number of points any bidder can obtain is 100.

If formal criteria are not met	- the offer will be rejected.
For the professional issues	- the bidder can obtain up e.g. 50 points.
For the price offer	- the bidder can between 0 and 50 points

The price assessment may be calculated the following way:

$$\frac{\text{Price of the lowest bid}}{\text{Price of a given bid}} \times 50 = \text{point assessment of a given bid}$$

The first rule favourable to the transparency during advisor selection is the opening of the potential advisors sealed offers in the presence of all of them. The opening should happen immediately after the deadline of the submitting the offers. Immediately means less than half an hour. It is the potential advisors' right to be present at the "opening session" and not the obligation to participate in the opening process.

During this public opening the committee reads only financial offers or their crucial parts. The financial offers should be prepared according to very detailed guidelines. In TOR or RFP there should be the form of financial offer to be filled. Only bids with these form filled strictly according to the rules are accepted.



We do not recommend any simplified procedure in assessment of potential advisors' offers, especially if the Ministry decides to select one advisor for several transactions.

The work of the advisors and the Ministerial supervision

The Scope of the work

Below is the same short description of the scope of work which has been presented in point "Preparation Of Terms Of Reference For The Advisors". Actually this part of TOR or RFP should be much more detailed. That does not mean that each lease transaction requires sophisticated and very long documentation. On the contrary, the reports delivered to the Ministry should be as condensed as possible. The Ministry should obtain very synthetic picture of SOE present and possible future, presented in attractive and easily digestible form (e.g. slide presentation) but based on the outcomes of deep analyses. That is why TOR or RFP should be detailed – to avoid making seeming synthesis without deep background work

In general the advisors' work should cover:

- business and financial report describing:
 - business profile (organization structure, marketing, cost analysis, etc.)
 - technical assessment (asset and technology description) giving the owner the general insight into technological level of SOE.
 - SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis
 - business plan for the next few years or at least description of management intentions
- valuation of SOE
- presentation of financial statements in accordance with Iraqi and GAAP principles for the last day of the month preceding the month of submission of the report or (if possible) – auditor's due diligence
- legal due diligence (with threats assessment) report
- if necessary, the conduct of physical inventory count (stock taking) of the inventory and property, plant and equipment
- if necessary, environmental audit
- if necessary, full technical audit

If the Ministry takes a positive decision to execute the lease transaction, the next phase of the process begins.

Full, standard approach includes:

1. preparation of the Offering Memorandum sent to selected bidders, who meet some defined criteria
preparation of short introductory info, called Flyer, sent to anybody who wants it (or publishing it in newspapers)
2. preparation of Letter of Confidentiality to be signed by potential leasees as a condition to deliver to them the Offering Memorandum
3. public announcement in well recognized newspapers (domestic and/or foreign) of the Ministry's decision to invite interested parties for negotiating the lease transaction.



In case of SOEs suited for simpler procedure the Ministry should consider a different approach. Instead of multistage process the simple auction can be arranged. That approach suits mainly non-operational SOEs with assets heavily destroyed or looted. That requires prior public information that a given SOE will be put on lease through auction.

The Ministry's supervision

The advisors' work should be supervised by the ministerial officials responsible for a given lease transaction. If there are many potential transactions of that and similar type it is worthwhile to set up the special unit in the Ministry dealing with them. The tasks of this unit includes:

1. selection of which SOEs to participate in a lease transactions
2. preparation of TORs or RFP for the advisors
3. initial selection of the advisors through tender process (final decision reserved for the Minister or interministerial committee)
4. supervision of advisors' work and acceptance of their reports
5. elaboration of the proposal of strategy of the transaction based on the results of advisors' work
6. presentation of the proposal to the Minister or to the special interministerial committee responsible for the lease decisions
7. supervision of the execution phase including participation in negotiations
8. submitting to the Minister the final proposal

Public Invitation For Tender / For Negotiations

The transaction phase of the process starts with the publishment in the press (domestic and – if needed – foreign) the public announcement. The Ministry announces its desire to make lease transaction and invites all interested parties to submit the offers and participate in the whole process.

Public announcement / invitation for tender should include:

1. date
2. the name and the address of the Ministry announcing the tender
3. the subject of the tender (e.g. lease transaction concerning companies x,y,z). Few sentences about each company may be included.
4. basic information about the procedure: where and up to when the flyer is available, conditions to be met to obtain the Offering Memorandum
5. subject of negotiations
6. deadline to submit the offers
7. exact information where the offers must be submitted.
8. signature of the Minister

The exemplary public announcement

July 21, 2004, Baghdad

THE IRAQI MINISTRY OF TRANSPORTATION

34, Al-Saduun St. 01 552 Baghdad

tel. 781-280-325- 895 www.ota.gov.ir , ota@sale.ir

Invites interested parties to negotiations

Concerning the lease [delete to-buy?] transaction of:

- **Al-Dhilal Company**
- **Delegates Company**

Acting in accordance with National Ownership Transformation Law (NOTL), enacted on 21 of May 2004 [how do we know this law will be enacted on that date?] by the Transitional National Assembly, (Journal of Laws of 2003 no.17) (the "Act") and the regulations of the OTA [who is this?] dated 29 of November 2003 concerning the detailed procedures for lease procedures of Iraqi State-Owned Enterprises ("SOE"), the Minister of Transportation invites all interested parties to negotiations concerning the lease of the following companies:

Al-Dhilal Company (hereinafter referred to as "Company 1") with its seat in 21, Kourbok Avenue by Seer-Touk Grove, 01-244 Baghdad.

And

Delegates Company (hereinafter referred to as "Company 2") with its seat in 2, Al-Seetanou St., 04-302 Baghdad.

Due to the fact that both Company 1 and Company 2 provide similar service (passenger and cargo transportation), the Minister gives preference to offers submitted for shares in both companies together. However, it is possible to submit an individual offer for either one of the companies.

Company 1 operates in cargo and passenger transportation and has 14 years of experience in these business areas. Company 1 is located in Baghdad (headquarters) and in three other locations (Basra, Kirkuk, Mosul). [this is mentioned above] Company 1 owns 167 intercity passenger buses operating several lines. It also owns 432 trucks and trailers. There are basic maintenance facilities in all of Company 1's locations. Because of a substantial increase in cargo transport due to the opening of Iraqi economy and services traditionally performed within the Food for Oil ("FFO") program, Company 1 has very good market prospects.

Company 2 operates in limousine passenger transportation and has 7 years experience in these business areas. Company 2 is located in Baghdad. Company 2 owns 146 limousine cars (Mercedes, Toyota and BMW) rented by government agencies and by private companies and individuals. There are basic maintenance facilities in Company 2's location. Because of a large increase in demand for limousine transportation in Baghdad, Company 2 has very good market prospects.

In accordance with Article 8 of NOTL, the Minister of Transportation limits the scope of potential bidders to Iraqi citizens and Iraqi legal entities (according to the definition of Iraqi legal entity in the law of foreign investments, Journal of Laws of 2003 no.10).

In accordance with Article 9 of NOTL, the Company does not own the land but has the usufruct rights to it. Converting usufruct right into full ownership is foreseen according to the procedure described in Offering Memorandum.

All interested Parties may obtain, for free, short information about the Companies. After notifying the Minister of Transportation, during July 21, 2004 and August 20, 2004, and presenting current incorporation documents (i.e. issued not more than 3 months from the time presented), and signing an "Undertaking to maintain Confidentiality", Interested Parties will be able to buy the full Offering Memorandum ("OM") of either or both of the Companies. The OM will contain information concerning the economic/financial and legal position of each company, the process and conditions of making the lease agreement, as well as contents of the initial and binding offer to lease each company. The price of the OM is 250.000 ID (two hundred fifty thousand) and may be paid in cash directly in the Ministry of Transportation Building, floor 2, room 24, during working hours (9.00 – 17.00) or on-line by credit card using instructions on the Ministry website or by postal order with a note "for OM Company 1 and/or 2". The OM will be conveyed directly (if paid in the Ministry of Transportation Building) or sent (if paid other way).

Persons responsible for contacts and receiving applications is Muhammad Alwaree.

The subject of negotiation will in particular cover: term of the lease, value of SOE, payment scheme, and proposed development programme for the companies by the Interested Party consisting of, among others, commitments of an investment nature (including possible increases of share capital), commitments to maintaining and improving the value of the SOE, commitments to protection of the interests of employees and other persons associated with the companies, commitments relating to environmental protection, along with methods of guaranteeing the execution of all these undertakings.

The deadline for initial offers for Company 1 and Company 2 falls on October 27, 2004 at 3 pm Baghdad time.

The Minister of Transportation reserves the right to freely choose which Interested Parties to negotiate with, to withdraw from such negotiations without giving reasons and to extend the deadline for submitting initial offers.

Signed

The Minister of Transportation



This exemplary public announcement might be used in standard procedure but some of its elements may be also used in any simpler transaction.

Distribution Of Flyers And Offering Memorandum

Below there is a standard content of delivered by the Ministry to potential leasees in the process of lease transaction. Depending on the size of the company being for sale, its complexity, etc. the Offering Memorandum may be shorter or longer.

The more information the Offering Memorandum reveals the more definite and detailed offer can be expected. However, this document can show neither trade secrets nor any other sensitive information, which could be used to the harm of the Company by e.g. its competitors. Therefore there is always a kind of trade off between our willingness to obtain the best offer and fear to endanger the future of the Company.

Standard Content of the Offering Memorandum

This outlines the content of a standard Offering Memorandum delivered by the Ministry [do we need to specify which?] to potential leasees in the process of a lease transaction ("Transaction"). Depending on the size of the SOE being considered (the "Company"), its complexity, etc. the Offering Memorandum may incorporate all or some of this content.

Offering Memorandum Cover

1. Basic instructions
2. Name and contact information (this is typically for the Company advisor)
3. Indemnity language

Investment Highlights (why is the Company attractive)

1. Unique products or services
2. Core competencies
3. Market position
4. Competitive advantages
5. Profitability

Information About the Company

1. General information (e.g., name, address, share capital, register number, etc.)
2. Short history of the Company
3. Management of the Company (including bio of senior management)
4. Organizational structure of the Company
5. Production and sale [this may be divided into Description of products offered and Marketing and sales activity]
6. Research and development activity
7. Competition and market position of the Company
8. Employment (e.g., number of employees, titles, departments, educations, etc.)
9. Financial position of the Company
10. Assets of the Company (complete list including all properties and facilities, and subsidiaries)
11. Receivables and liabilities of the Company
12. Financial and legal aspects of environmental protection issues [this may be divided into Environmental related issues and Legal and litigation issues]
13. Employment social benefits and human resources strategy
14. Trade unions operating in the Company [do we want to limit this to trade unions or any unions?]
15. Company's activity against anti-monopoly law

Information About the Industry

1. Macro description of the industry in which the Company competes
2. Market overview
3. Size and scope of the industry

4. Major players
5. Regulations, laws and licenses which govern the industry

Company Development Strategy (Growth Strategy)

1. Marketing strategy
2. Investment strategy

Risk Factors (highlight and address investor concerns)

1. Ability of the Company to continue its performance (what is being done to make sure that the Company will continue to perform well and provide its products and services)
2. Variability in operation results (how are the results reflective of on going business practices)
3. Competition (what allows the Company to stay ahead of the competition)
4. Future capital needs (highlight what will be needed in terms of capex according to growth strategy and how it will be financed)
5. Dependence on key personnel (if there are any, how will the Company retain them)
6. Dependence on major customers (if applicable, description of good relationship)
7. Dependence on Suppliers (if applicable, description of good relationship)
8. Dependence on raw material (show abundant supply locally or ease of importing it)
9. History of operating losses, lack of profitability (if applicable, show how the growth strategy will translate to future profitability)
10. Labor related issues (address specific issue on a case by case basis)

Procedure of sale

[this should be a separate letter that is given to potential investors, usually referred to as process letter, and is a cover page to the OM]

1. Information on the public invitation for tender with specifying the object for lease [I don't understand what is being specified]
2. The procedure of offer submission
3. The content of the initial and binding offer
4. The terms and conditions of due diligence performed by potential investors

The Offering Memorandum (OM) may be given or sold to any potential lessee who meets some basic conditions (presents current incorporation documents, letter of confidentiality signed) or the Ministry may distribute the OM at its discretion.



The actual content and size of the Offering Memorandum is subject to the type of a given SOE and to the procedure selected. As a rule of thumb we can suggest that in case of SOEs non-operational the description of assets plays very significant role.

The exemplary Letter of Confidentiality

To obtain the OM all potential bidders must sign Letter of Confidentiality or Undertaking to Maintain Confidentiality. Its role is to oblige the potential lessee to keep information obtained in the OM in secret and to have the right to claim him if he violates this obligation.

The exemplary Letter of Confidentiality:

LETTER OF CONFIDENTIALITY

The undersigned

.....
(first name, surname, title, powers to represent the Potential Lessee)

.....
(name of Potential Lessee)

.....
(address, register no.)

hereinafter referred to as the "Potential Lessee", in connection with the intention to participate in negotiations concerning the purchase of not less than 10% of the share capital of Company X. with its seat in ... (hereinafter referred to as "the Company") which is 100% owned by the State Treasury, hereby agrees that:

- a) All information, either in written or verbal form, provided in the Company Profile document or by the Company, the Ministry of Transportation or BRE Corporate Finance (acting Adviser to the Minister of Treasury, hereinafter referred to as "the Adviser") shall be treated by the Potential Lessee as fully confidential;
- b) All information, mentioned in paragraph a), will be used exclusively for the purpose of evaluating the possibility of investing in the Company's share capital and will not be used in any other way; particularly in a way detrimental to the interests of the State Treasury, the Company or of the Adviser;

- c) The Potential Lessee will not reveal to anyone (and in particular to any other Potential Lessee, or to the mass-media) his interest in buying shares in the Company's share capital, nor the conditions, regulations, or other particulars of the negotiations related to the purchase of shares, on conditions other than described in this Letter of Confidentiality, with the reservation of cases required by law and agreed with the Adviser.
- d) In all matters concerning the Company's lease transaction and the negotiations, the Potential Lessee will not contact the Company or communicate with its management and employees, or representatives of the State administration or institutions related to the activities of the Company, with the exception of meetings arranged by the Ministry of Transportation or the Adviser;
- e) The Potential Lessee is fully aware and hereby expressly agrees that his decision concerning purchase of shares in the Company will be based exclusively on his own verification of the Company's position;
- f) The Potential Lessee is fully aware and hereby expressly agrees that the Ministry of Transportation reserves the right to reject proposals submitted in response to public invitation to negotiations, not to undertake or to withdraw from negotiations, or to modify the procedure, including the amount of shares being subject of the public invitation to negotiations, without providing reasons;
- g) The Potential Lessee is fully aware and hereby expressly agrees that a response to the public invitation to negotiations submitted once the deadline is over will not be considered and shall be returned to Potential Lessees without opening. The Minister of Transportation will not accept supplementary information introducing changes to the response to the public invitation to negotiations, unless it is submitted in reply to a written question posed by the Minister of Transportation or the Adviser or will be presented during meetings or negotiations with the Potential Lessee held in the seat of the Ministry of Transportation,
- h) The Potential Lessee is fully aware and hereby expressly agrees that the Minister of Transportation may, at his sole discretion, conduct negotiations with any or many Parties in parallel;
- i) The Potential Lessee is fully aware and hereby expressly agrees that the Minister of Transportation may at any time and for any reason, or for no reason at all, suspend or withdraw from negotiations with the Potential Lessee;
- j) The Potential Lessee is fully aware and hereby expressly agrees that the Minister of Transportation will in no way be involved in applications by the Potential Lessee for tax breaks, concessions, permissions and exemptions or in attempts by the Potential Lessee or the Company to conclude any future agreements, as a result of the purchase of shares by Potential Lessee,
- k) The Potential Lessee is fully aware and hereby expressly agrees that in no case shall the Minister of Transportation, the Company, nor the Advisor be liable to the Potential Lessee for any costs incurred resulting from the procedure, preparation or submission of the response to public invitation to negotiations, participation in the negotiations nor conclusion of the transaction;
- l) In agreeing to the above, the Potential Lessee also agrees that he/she is responsible for representatives, employees and advisers complying with the above; in the event of a breach of the provisions contained herein, the Potential

Lessee shall cover all the costs or damages incurred by the State Treasury, the Company or the Adviser in any way related to, or resulting from infringing the stipulations of the present Letter of Confidentiality;

- m) The potential Lessee is fully aware and hereby expressly agrees that the Minister of Transportation may exclude the Potential Lessee from the negotiation process in the event of the Potential Lessee, his/her representatives, employees or advisers acting in a way detrimental to the interest of the State Treasury or of the Company in the course of the process;
- n) The possibility exists of making lease transaction by a subsidiary or parent company of the Potential Lessee. In the case of taking into account such a possibility, the Potential Lessee is obliged to explicitly state this fact, and as early as at the stage of submitting preliminary proposals in response to the invitation to negotiations, to present all information required by the procedure about the entity that ultimately could be the lessee. Moreover, the Potential Lessee should submit a declaration concerning future guarantees of completion of all obligations towards the Minister of Transportation by a subsidiary;
- o) The Potential Lessee is fully aware that from the moment of submitting preliminary proposals in response to the public invitation to negotiations, including in negotiations themselves, it will not be possible to include entities into the process, which have not submitted a response to the public invitation to negotiations, and which are not subsidiaries or the parent company of the Potential Lessee, and were not indicated in the response to invitation to negotiations or have not received an invitation from the Minister of Transportation to participate in any of the stages of the process;
- p) The Potential Lessee hereby agrees to return the copy of the Corporate Profile and other documents containing information about the Company, received during the negotiation process from the Adviser, the Ministry of Transportation or the Company, to the Adviser within 2 weeks from the date of the end of participation in the lease transaction process of Company X. The expression "end of participation" means withdrawal from the project or exclusion of the Potential Lessee from participation in further stages of the project;
- q) The Corporate Profile document and its parts will not be reproduced in any form for purposes other than the participation in the lease transaction process of the Company;
- r) The Letter of Confidentiality herein enters into force from the date of signing and is binding for three years from that date.

.....
Signature of the representative of the Potential Lessee

.....
Date and place



This is the standard Letter of Confidentiality. In SOEs on simplified track such a letter might be useless, especially if lease is to be done through auction.

Collecting of Non-Binding / Initial Offers

The content of the initial (preliminary) offer

Having obtained the Offering Memorandum and based on its own expertise as well as publicly available information the potential lessee can submit the initial offer to the Ministry.

The Offering Memorandum must contain the detailed description of the content and format of this initial offer. It is the point of crucial importance. The more detailed and clear cut the guidelines are how to prepare the offer, the more comparable to each other offers can be expected to obtain.

The preliminary proposal presented in response to the public invitation to negotiations concerning the purchase of shares in the Company should include the following elements:

Basic information concerning the potential lessee:

- Data of the Potential Lessee: Surname/Name/Company, seat, address, telephone and fax number, e-mail;
- Current excerpt from the appropriate register (e.g. Commercial Register) for that Potential Lessee or a certificate confirming entry into a register of commercial activity;
- A list of persons authorised to act on behalf of the Potential Lessee, along with documents confirming the authority of those persons to represent the Potential Lessee or powers of attorney to act on behalf of the Potential Lessee;
- Name of the person, with whom any subsequent contact should be made;
- Balance sheet and profit/loss account of the Potential Lessee for the year 2001, along with the opinion of the independent auditor and preliminary financial statements for the year 2002. In case of Potential Lessees not subject to audits - the appropriate profit/loss account;

In the event of the entity presenting the preliminary proposal not being the parent company of the capital group, a description of capital and other links between it and the dominant entity is required. The current entry from the appropriate register of the dominant entity as well as other relevant documents specified above should also be enclosed. In such a case the Minister of Transportation expects that obligations of the Potential Lessee specified in the lease agreement shall be guaranteed by the dominant entity. For this reason, the Minister of Transportation will prefer preliminary proposals of those Potential Lessees, who present explicit declarations in this respect.

In the event of there being no decision at this stage of presenting preliminary proposals, concerning which member of the group of the Potential Lessee will be the entity leasing the Company, the Minister of Transportation accepts the possibility of signing the shares sale agreement with an entity, which is 100% owned by the entity that submitted the preliminary proposal. The Potential Lessee, however, is obliged to clearly mention such a scenario in the preliminary proposal. The identity of the Lessee, which is going to sign the lease agreement should be disclosed in the binding proposal, together with current register entry of that entity and other documents specified above enclosed. The entity, which is going to be party to the share sale agreement, should be registered at the latest by the date of presenting the preliminary proposal.

In the event of a preliminary proposal being submitted by a consortium, the fore mentioned information should be presented for each member of the consortium. In particular, information on all consortium members, their capital links and shares held in the consortium should be specified. Also the consortium leader, who is going to represent the remaining members in the course of negotiations, should be indicated. A copy of the consortium agreement should also be enclosed. If the consortium agreement is to be signed at a further stage of the process, the draft of that agreement should be included in the preliminary proposal, and the signed agreement should be enclosed at the latest together with the binding proposal.

In the event of the preliminary proposals being submitted by foreign entities, documents presented and compiled in a foreign language should be translated into Polish by a sworn translator. Moreover documents such as:

- extract from the appropriate register;
- powers of attorney to act on behalf of the offering party;

should be authenticated by the Consulate/Embassy of the Iraqi Republic in the country of the Potential Lessee.

Description of the potential lessee's business

The description of the business of the Potential Lessee should include:

- description of the ownership structure of the Potential Lessee (or the parent entity) and characteristics of shareholders/stakeholders;
- description of the structure and areas of activities and the position in the market;
- financial information for the last 3 years (balance sheets, profit/loss accounts), and in case of entities having been in business for less than 3 years, financial information for the period of their business activity;
- the development strategy within Iraq and the place of the Company within that strategy.

Initial proposal for the the lease transaction in the company

The preliminary proposal for the lease transaction should include:

- the proposed net price for the Company in Iraqi Dinars;
- information concerning the aim of lease transaction and the role, which the Company would play in the organisation of the Lessee;
- scope, level and timetable of declared investments and/or increases in the share capital of the Company;
- sources of finance for the purchase of shares and the declared investments in the Company;
- validity of the offer (not less than 90 days);
- proposed solutions in the area of the social package for the Company's employees;
- other information, which in the opinion of the Potential Lessee could be of significance when assessing the Lessee's proposal;

Price proposals, where the price for the Company is expressed by a mathematical formula or in other formula relating to price proposals presented by other Lessees, will not be considered.

The preliminary proposal should - to a maximum permissible degree for the Lessee - be of a binding and unconditional nature.

Documents submitted by Potential Lessees should be signed by appropriately authorised persons.

The Minister of Transportation reserves the right to ask for additional information and explanations from entities, which submit preliminary proposals for the purchase of shares in the Company.

All documents relating to the procedure aimed at the sale of shares in the Company should be submitted in Iraqi and English.



The standard content of Preliminary Offer is presented above. In case of SOEs on simplified track it is needed to consider shorter version of the Preliminary/Initial Offer as well as resigning from two stages approach (initial and binding offer) and replacing it with only one (binding).

Procedure of submitting the offers

Information Memorandum must contain a detailed procedure of submitting the initial offers. Below there is the exemplary text showing this procedure

EXAMPLE

The deadline for written responses to this invitation concerning lease transaction of the Company X falls on the November 7, 2004 at 4.30 p.m. Baghdad time.

The response of interested parties in the form of preliminary proposals should be prepared in Iraqi and English on A-4 format paper. The proposals prepared in two copies should be submitted in sealed envelopes to the seat of the Ministry of Transportation, Ministry of Transportation Building, 34, Al-Saduud St. 01 552 Baghdad, , floor 2, room 24, during working hours (9.00 – 17.00), Department of Lease Transactions.. The envelopes should bear the inscription: "The Answer to Public Invitation to Negotiations to make lease transaction of the Company X. Do Not Open".

The Ministry of Transportation will inform interested parties about his decision concerning responses to the invitation herein, by the November 22, 2004. Parties admitted to the next stage will have the right to study selected Company documents, describing its legal and economic position, according to the rules stipulated by the Ministry of Transportation. Having performed the due diligence of the Company, authorised parties will submit binding proposals of the terms of the sales agreement. These proposals shall form the basis for negotiations.

The Ministry of Transportation allows the possibility of concluding an agreement for lease transaction with an entity, which is 100% owned by the company that submitted preliminary proposal as a result of negotiations initiated based on this invitation.

The Ministry of Transportation reserves the right to extend the deadline for submitting replies to invitation, to choose, at his own discretion, parties to negotiations, to withdraw from negotiations at any time and for any reason, and to ask parties, which responded to the present invitation, for supplementary information and explanations at any stage of the process.



Much of this procedure is applicable both to standard and simplified track.

First Round Of Negotiations, Selection Of The Bidders' Short List

Having obtained the initial offers the Ministry is to assess them. At first the task is performed by the advisors who deliver the appraisal report in synthetic form, using also the tables with e.g. lines for each bidder and columns for issues to be assessed.

The exemplary bidders assessment table

	bidder quality (1-10 points)	Price (bil. ID)	Investment (bil. ID)	business plan / its quality (1-10)	lease term (yrs)	employees
bidder 1	4	200	170	Yes / 4	7	all
bidder 2	—	230	no	Yes / 8	6	all
bidder 3	7	100	320	Yes / 5	12	redundancies
bidder 4	5	300	50	no	12	redundancies
bidder 5	—	198	230	no	3	redundancies
bidder 6	2	245	90	Yes / 2	—	redundancies

The table should be based on more detailed analysis of each bidder. The appraisal report should be completed with recommendations which bidders can be selected to the next round of the transaction process. This way so called short list of the bidders is selected.

Before making its recommendations the advisor may invite the bidders to explain some unclear points in their offers and / or to inline some of the bidders to change or improve their offers before final recommendations are directed to the Ministry. This encouragement to change the offer sometime results from the fact, that an offer of good general quality has one obvious shortcoming which substantially deteriorates its overall rating. Besides, very rarely the offers are self-evident. Usually there are some good reasons to invite the bidders. This first round of talks is also the first occasion to meet face-to-face the parties interested to make lease transaction, to assess not only the papers they present but also the people themselves.

The often used rules during this stage of the process are:

1. to select more than one bidder for a short list. The aim is to have bidders mini beauty contest and competition in the final stage of the transaction.
2. to exclude the initial offers violating the formal conditions listed in TOR or RFP
3. to invite either all remaining bidders or none of them for the first round of talks. None of the bidders at this stage should feel itself better or worse than the others. None of them should feel its offer is better than other offers.
4. to secure transparency of the process, if any bidder is asked to change its initial offer, the same request should be directed to all remaining (meeting formal conditions). That means however some delay of the whole process. The formal letter must be sent to all remaining bidders:

- asking to point out which points in their initial offers they want to change;
- asking to submit new version of these points;
- asking to give new deadline of these initial – improved offers submission;
- stating that no letter received by deadline date means no change of the offer.

We do not recommend to prolong the process by asking for initial –improved offers unless it is absolutely necessary. Especially, in case of smaller transactions suited for so called limited approach the Ministry should simplify the process.

The recommendations of the advisors should be reviewed by Ministry's special committee, unit or task force supervising the advisors' work. Next, sometimes after discussions and corrections, they should be presented to the Minister in a very condensed form. If the Minister accepts the recommendations, the advisor should immediately prepare the letters to be sent to all bidders inviting some of them to the next round of the process and refusing to continue the process with some others. The letters should be signed by the Minister and sent.

This way the short list of the bidders is finally selected.



This is a typical element of standard procedure. If a given SOE is on the simplified track, the Ministry should consider to publish the Offering Memorandum in the press, select bidders basing only on the information they sent to the Ministry about themselves (according the predefined format) and allow this selected group to make due diligence before submitting binding offers.

The procedure to collect the binding offers

All short listed bidders should prepare their binding offers. To achieve that point of the process they must:

1. acquaint themselves with more details of the present situation of the Company as well as with its plans for the future. This can be achieved thanks to direct, limited access to the Company during so called due diligence process.
2. obtain the draft lease contract prepared by the lawyers working in the Ministry's advisors team. This draft contract shows all details of required future relations between lessee (i.e. the bidder) and lessor (i.e. the Ministry).
3. obtain detailed instruction how to prepare the binding offer (the content and the format).
4. description of next steps to be taken in the process.

The letter sent to short listed bidders must contain all element listed above.

Due diligence

The potential short listed lessees have the possibility of acquainting themselves with the financial, market and legal situation of the Company and selected documents relating to the Company, without violating trade secrets. This is due diligence process.

The due diligence consists of:

- 1) **Access to the Data Room:** representatives of the potential lessee are authorised to examine all documents made available in one or more rooms, in accordance with the Data Room procedures. The list of documents, which can be found in the Data Room, constitute an appendix to the document herein.
- 2) **Meetings with the Management of the Company and its advisors:** representatives of the potential lessee have the possibility of meeting with the Management of the Company, middle managers of the Company and representatives of the Advisor.
- 3) **Site Visit:** Visiting the production facilities of the Company will be possible for representatives of the potential lessee according to the guidelines described in the special document delivered to it.

The Data Room is:

1. the clearly defined set of Company documents and sometimes some reports prepared by the advisors covering all or at least majority of fields of potential lessees interest.
2. the office space where the documents mentioned above are stored and which is available to the potential lessee
3. the set of rules governing the use of documents and the principles of using the office space where these documents are stored.

The set of documents and (sometimes) some reports prepared by the Ministry's advisors may cover the following fields:

1. financial
2. legal
3. marketing
4. organizational structure
5. technical
6. environment pollution and protection
7. employment and social package

The Ministry advisor's task is to organize data room, to prepare all necessary regulations and supervise the whole due diligence process on site. The bigger SOE is,

the more data is available and the more potential lessees are entitled to make due diligence, the bigger logistical challenge the organization of due diligence is.

Some useful tips how to organize standard due diligence (d-d):

1. d-d should interfere the normal functioning of the Company to the minimum
2. the potential lessee should not be allowed to move freely around the Company site and to talk any employees he wants to. This should be precisely regulated by documents: "Due diligence process general rules", "Data room procedures", "Data room regulations".
3. the time given to each potential lessee for d-d must be the same. Usually one week or less is enough.
4. the documents in Data Room should be clearly marked and numbered and stored in the easily recognized folders. There should be the person responsible for giving the documents to the representatives of the potential lessee and taking them back.
5. the documents in Data Room should be neither copied nor carried out.
6. the questions asked by any potential lessee during the meetings with the management of the Company should be conveyed to the remaining potential lessees.
7. meetings with the management of the Company and site visits are organized only through the Ministry's advisors and with their presence.

There is often a trade off between data availability in data room and keeping the Company's sensitive information safely. The more data available the more unequivocal offer can be and the shorter and less frustrating conditions are listed by the potential lessee under which its offer is valid. However the more data available the bigger danger is that they will be used to the harm of the Company by the potential lessees which will be rejected at the later stage of the process.



This due diligence procedure suits only standard approach of lease transaction. Due diligence for SOEs on simplified track is much simpler, mainly because there is much less data to be collected by potential lessees. Accordingly the procedure should be simpler and shorter.

The draft lease contract

Before submitting their binding offers all short listed lessees should obtain the draft lease contract prepared by the Ministry. Below there are the main points that should be either taken into account while preparing the contract (process points) or included into such contract (Terms of Sale).

Process Points

- A transparent bidding process will be conducted for each SOE lease

- Prior to a closing, the lessor will perform a valuation as well as financial and legal due diligence to obtain a detailed assessment of the SOE to be leased
- Lessor will conduct due diligence on potential lessees to assess credit worthiness and other capabilities and qualifications
- Lessor cannot limit lessee's ability to hire, terminate, reassign, transfer or change the compensation of any SOE employee, except that if an employee's compensation is reduced the employee can elect to be terminated and will qualify for the involuntary termination benefit. Any employee involuntarily terminated after the ownership transition will be entitled to receive the same severance benefit the employee would have received had the SOE still been owned by the Ministry.
- No one who is indebted to an SOE will be permitted to bid on the SOE
- Lessee will submit a business plan that will be agreed to by the lessor
 - The lessee will have the right to restructure the SOE according to the agreed upon business plan
 - The lessee can terminate employees during the lessee period but a severance plan will be provided that at a minimum meets the terms set forth in the Severance Plan that applies to terminated SOE employees
 - The lessee will propose a capital expenditure plan that will address upgrades and maintenance of the SOE plant and equipment
 - At the request of either the lessee or the lessor, the business plan may be modified during the lease period. Both parties need to agree to modifications of the lease period due to substantial changes in markets or manufacturing technology.
 - The lessee must demonstrate in the business plan that lessee has enough working capital and other financing to operate the business

Terms of Sale:

- The lessor will provide a full-time government accountant to reside at the SOE headquarters. This accountant will monitor compliance with the lease agreement and will provide a monthly report on the status of the assets and expenses of the SOE. The lessor agrees to provide all requested information to the lessor's representative
- An independent annual audit of the SOE will be performed by a nationally recognized accounting firm. The annual audit will be made public
- The lessee selection criteria will require that the lessee demonstrate that it has sufficient working capital to operate the SOE
- At closing, the lessee will provide a downpayment no less than 25% of the value of the SOE as determined by the lessor valuation
- The lease period can range from 1-10 years
- The ownership of the SOE must transfer to the lessee upon the final lease payment
- The lessee assumes normal working capital liabilities such as accounts payable and accrued expenses at closing. The lessee will be responsible for all expenses