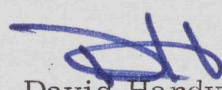




MEMO TO: Edgar F. Kaiser

DATE: April 27, 1971

COPIES TO: P. C. Meyer
L. H. Oppenheim
James K. ParkerW. R. Sproule
- E. E. Trefethen, Jr.FROM:  David Hardy

AT:

SUBJECT:

Attached is a corrected copy of a telex of today from Mr. Tchelistcheff,
as read by him to me over the telephone.

^{4/27/71}
The appeals referred to in the telex are certain appeals being taken by DSW
from decisions in our favor previously made on procedural matters. I
agree in general with Mr. Lipschutz's comment that the postponement of
the dates of hearings of these appeals should not affect our trial dates if
we continue to press forward on particulars and other matters.

I have therefore advised Mr. Tchelistcheff to tell Mr. Lipschutz to agree
to the adjournment of these particular appeals.

In his phone conversation Mr. Tchelistcheff clarified some of the remaining
portions of his telex message and in particular advised as follows:

1. The various DSW operational and legal people were "wired in"
on the proposed meetings well before we were and there is evidence of an
organized campaign. Mr. Ben Yehuda is in the process of obtaining in-
formation relevant to the discussions from DSW personnel and, as one
particular example, they are attempting to value the spare parts purchased
by DSW during its construction campaign to "throw in" on the basis that it
will provide some additional value to us.

2. Tchelistcheff believes that Mr. Levin is preparing figures
rather than documents.

3. Messrs. Yaacov Salomon and Joshua Rotenstreich agree with
Mr. Lipschutz that Mr. Levin's presence at the meeting would be detri-
mental. Yaacov Salomon therefore recommends that he (Salomon) or
Lipschutz should be at the meeting and he apparently intends direct contact

with me or others here to make this point. Mr. Tchelistcheff points out that Yaacov Salomon is not compatible with either Mr. Ben Yehuda or Mr. Levin, while on the other hand there are excellent relations between Dr. Rotenstreich and Ben Yehuda. While Salomon, of course, would be agreeable to either himself and/or Lipschutz at the meeting, he would not be happy with either Rotenstreich alone or with Lipschutz and Rotenstreich without Salomon also.

I dealt with this matter by telling Victor to tell all our lawyers that Mr. Kaiser and Mr. Woods did not intend to have lawyers present at the meeting and that if Mr. Levin were to be brought into the meeting by Mr. Ben Yehuda, Mr. Kaiser would have good grounds to object that his own Israeli lawyers were not present. Victor concurred that probably the only way to keep Levin out of the meeting was on the basis that our Israeli counsel were not present.

DH:mcs

Att.

INTER-OFFICE MEMORANDUM

Kaiser Services

CENTRAL FILES

Freight
Israel

TO Mr. David Hardy
AT

DATE April 27, 1971

FROM Edgar F. Kaiser

COPIES TO Messrs. E. E. Trefethen, Jr. ✓

P. C. Meyer
L. H. Oppenheim
J. K. Parker
W. R. Sproule

AT

SUBJECT

Reference message quoting Tchelistcheff's telex and your comments following conversation with Tchelistcheff.

It is most important, I am sure we all agree, that we be objective with respect to both the current and the forthcoming negotiations and proceedings.

In accordance with my discussion with Gene, I concur with the postponement of dates on hearing of appeals.

It is not clear, in paragraph numbered 1, why the reference to DSW people being "wired in" before we were. Sapir initiated originally the request for discussions via George Woods. Subsequently, we agreed that Salomon should pursue conversations. Following that, we decided to ask Woods to make inquiry. In the meantime, Rosenblith advised of Yehuda's request for a meeting with me. All of the above indicates clearly that DSW initiated such discussions. Therefore, I am not clear on the reference in the first sentence of paragraph numbered 1.

While I appreciate the sincerity of Tchelistcheff with respect to relations between Salomon and Levin, I do not think, in view of years of association between the two, that Tchelistcheff's opinion on this matter is of substance.

I think it is important to follow our normal procedures--namely, to advise Salomon of the facts and not our editorial opinions.

So far as Woods and I are concerned, it has always been clear that he and I would meet with Sapir and, obviously, anyone that Sapir included in the meeting. If Sapir includes lawyers, then Woods and I will handle accordingly, but I do not think it is advisable to start stipulating that if Sapir brings a lawyer--Levin or otherwise--we will object.

It has been my intention to convey to Alexandroni that both Woods and I would like to start discussions with Sapir. This was the point of my discussion with Alexandroni this morning--namely, that if we are to have a constructive discussion, we should not start conditioning before the meeting. The latter comment specifically referred--and I so identified it--to Sapir's suggestion that there was no use in meeting if we were going to start at \$18 million. Alexandroni accepted this statement. I do not think that such acceptance by Alexandroni commits Sapir, but I do think it is inadvisable for us to start discussions with Tchelistcheff that could lead to misunderstandings on the part of the Israeli group with respect to our forthcoming meeting.

The important point is to have the meeting, start discussions with Sapir, and, depending upon who is present, Woods and I will have to use our best judgment as to how to proceed.

I am certain that, if, in the advance discussions with Woods prior to our meeting with Sapir, we editorialize or draw conclusions, we will not assist in helping Woods help us.

I do not think that we should try, in advance, to keep Levin out of the meeting. This is Sapir's business, and let us handle when the situation arises.

I do think it is important, now that we have knowledge that Levin may be either at the meeting or in the background, that we tell our Israeli counsel the facts--namely, that this might happen--and then you, Gene, Jim and Paul can decide whom we should have in Paris in the background ready for what may happen.

David, your judgment may be correct, but don't start trading the meeting before we have the meeting. Keep it on an objective basis. We have three counsel in Israel, as you well know. If they all want to be there, it's fine with me, even though we may not need any of them or they may not be in the meeting. This, of course, is in addition to having Max Williams available.

Unless you all, after discussion on the Coast, think it is necessary for me to have further discussion with Alexandroni, I think I should leave it just as it is--namely, we have a meeting with Sapir and Yehuda--and we know that Alexandroni will be there because he advised me that Sapir had asked him to be there.

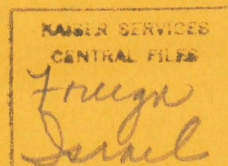
Edgar F. Kaiser

EFK:m
(Dictated over phone
from New York ap. 2100
4/27/71)

KAISERV OAK C

⊕

KAISERSERV NYK



OAKLAND CALIF 4/27/71 TELEX A16

RUSH

MRS. BARBARA HOLLAND

NEW YORK OFFICE

PLEASE HAVE FOLLOWING DELIVERED TO MR. KAISER AT WALDORF TONIGHT:

~~QUOTE~~

HARDY RECEIVED FOLLOWING TELEX FROM TEL AVIV APRIL 27, 1971.

LEVIN CALL LIPSCHUTZ THIS AFTERNOON AND INFORMED HIM THAT DURING A MEETING WITH BEN YEHUDA EARLIER THIS MORNING LEVIN WAS REQUESTED TO FURNISH A NUMBER OF DOCUMENTS TO BEN YEHUDA FOR PARIS MEETINGS AND BE AVAILABLE IN PARIS DURING THE MEETING. TO LEVIN'S REMARK THAT HE WILL NOT BE ABLE TO PROVIDE RESEARCH FOR THE MEETING IN VIEW OF APPEALS WHICH ARE SCHEDULED FOR NEXT WEEK, BEN YEHUDA REPLIED THAT HE WAS SURE THAT MR. LIPSCHUTZ WOULD ADJOURN THE APPEAL.

LIPSCHUTZ INFORMED LEVIN THAT HE CANNOT ADJOURN WITHOUT AUTHORITY FROM HIS CLIENT.

IN VIEW OF THE ABOVE, LIPSCHUTZ DESIRES YOUR OPINION WHETHER HE SHOULD AGREE TO ADJOURNMENT AND HE POINTS OUT THAT HE BELIEVES THAT SUCH CONSENT SHOULD BE GIVEN IN ORDER NOT TO BE CRITICIZED THAT WE ARE "TORPEDOING" THE MEETING. FROM THE POINT OF VIEW OF THE CASE SUCH ADJOURNMENT NOT CRITICAL AS OTHER MATTERS ARE STILL PENDING.

LIPSCHUTZ SUGGESTS THAT IT SHOULD BE CLARIFIED WHETHER A MEETING WILL BE ATTENDED BY LAWYERS AND IN HIS OPINION LEVIN'S PRESENCE WILL BE DETRIMENTAL TO AMICABLE DISCUSSIONS.

I WILL HAVE MORE ON THIS TONIGHT AND WILL CALL YOU BETWEEN 10 AND 11 A.M. YOUR TIME.

REGARDS.

TCHELISTCHEFF''

UNQUOTE

HARDY'S COMMENTS FOLLOWING CONVERSATION WITH TCHELISTCHEFF FOLLOW

QUOTE

THE APPEALS REFERRED TO IN THE TELEX ARE CERTAIN APPEALS BEING TAKEN BY D S W FROM DECISIONS IN OUR FAVOR PREVIOUSLY MADE ON PROCEDURAL MATTERS. I AGREE IN GENERAL WITH MR. LIPSCHUTZ'S COMMENT THAT THE POSTPONEMENT OF THE DATES OF HEARINGS OF THESE APPEALS SHOULD NOT AFFECT OUR TRIAL DATES IF WE CONTINUE TO PRESS FORWARD ON PARTICULARS AND OTHER MATTERS.

I HAVE THEREFORE ADVISED MR. TCHELISTCHEFF TO TELL MR. LIPSCHUTZ TO AGREE TO THE ADJOURNMENT OF THESE PARTICULAR APPEALS.

IN HIS PHONE CONVERSATION MR. TCHELISTCHEFF CLARIFIED SOME OF THE REMAINING PORTIONS OF HIS TELEX MESSAGE AND IN PARTICULAR ADVISED AS FOLLOWS: -----

1. THE VARIOUS D S W OPERATIONAL AND LEGAL PEOPLE WERE "WIRED IN" ON THE PROPOSED MEETINGS WELL BEFORE WE WERE AND THERE IS EVIDENCE OF AN ORGANIZED CAMPAIGN. MR. BEN YEHUDA IS IN THE PROCESS OF OBTAINING INFORMATION RELEVANT TO THE DISCUSSIONS FROM D S W PERSONNEL AND, AS ONE PARTICULAR EXAMPLE, THEY ARE ATTEMPTING TO VALUE THE SPARE PARTS PURCHASED BY D S W DURING ITS CONSTRUCTION CAMPAIGN TO "THROW IN" ON THE BASIS THAT IT WILL PROVIDE SOME ADDITIONAL VALUE TO US.

2. TCHELISTCHEFF BELIEVES THAT MR. LEVIN IS PREPARING FIGURES RATHER THAN DOCUMENTS.

3. MESSRS. YAACOV SALOMON AND JOSHUA ROTENSTREICH AGREE WITH MR. LIPSCHUTZ THAT MR. LEVIN'S PRESENCE AT THE MEETING WOULD BE DETRIMENTAL. YAACOV SALOMON THEREFORE RECOMMENDS THAT HE (SALOMON) OR LIPSCHUTZ SHOULD BE AT THE MEETING AND HE APPRAENTLY INTENDS DIRECT CONTACT WITH ME OR OTHERS HERE TO MAKE THIS POINT. MR. TCHELISTCHEFF POINTS OUT THAT YAACOV SALOMON IS NOT COMPATIBLE WITH EITHER MR. BEN YEHUDA OR MR. LEVIN, WHILE ON THE OTHER HAND THERE ARE EXCELLENT RELATIONS BETWEEN DR. ROTENSTREICH AND BEN YEHUDA.

WHILE SALOMON OF COURSE WOULD BE AGREEABLE TO EITHER HIMSELF AND/

OR LIPSCHUTZ AT THE MEETING, HE WOULD NOT BE HAPPY WITH EITHER
ROTENSTREICH ALONE OR WITH LIPSCHUTZ AND ROTENSTREICH WITHOUT
SALOMON ALSO.

I DEALT WITH THIS MATTER BY TELLING VICTOR TO TELL ALL OUR LAWYERS
THAT MR. KAISER AND MR. WOODS DID NOT INTEND TO HAVE LAWYERS PRESENT
AT THE MEETING MAND THAT IF MR. LEVIN WERE TO BE BROUGHT INTO THE
MEETING BY MR. BEN YEHUDA, MR. KAISER WOULD HAVE GOOD GROUNDS TO
BOJECT THAT HIS OWN ISRAELI LAWYERS WERE NOT PRESENT. VICTOR CON-
CURRED THAT PROBABLY THE ONLY WAY TO KEEP LEVIN OUT OF THE MEETING
WAS ON THE BASIS THAT OUR ISRAELI COUNSEL WERE NOT PRESENT.

UNQUOTE

SUGGEST YOU ALSO SEND COPY TO BERNIE SCHMITT IN CASE SHE TALKS TO
WOODS BY PHONE.

THANKS AND REGARDS

NINA

130PMdb

Freight
Jewel

4/21/71

04/21/71 0802 GMT
KAISERV OAK B

cc: EFK
EET ✓
LHO
PCM

RECEIVED
APR 20 1971
DAVID H. H.

R KAISERIND TV 418
KAISERIND OAKLAND

APRIL 21, 1971

ATTN: HARDY/ MEYER

3660 DJH: MR KAISER'S LETTER WAS HAND DELIVERED TO ADDRESSEE
YESTERDAY AND COPY OF THE RECEIPT WILL BE AIRMAILED TO YOU
TODAY.

COPY WAS GIVEN TO YAKOV WHO ACCEPTED THE NEWS WITH REASONABLE
CALMNESS.

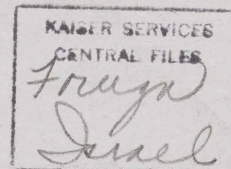
DURING SALOMONS MEETING WITH SAPIR ON ANOTHER MATTER LATE
YESTERDAY SAPIR MENTIONED THE MEETING IN PARIS AND ENQUIRED
AS TO THE AMOUNTS DUE TO KAISER FROM DSW CARRIED ON COMPANY
BOOKS BUT SALOMON WAS NOT CLEAR AS TO WHOSE BOOKS SAPIR
WAS REFERRING TO. SALOMON MENTIONED AMOUNTS OF OUR CLAIM
AND MATTER WAS DROPPED.

NUSUB (2)

LIPSCHUTZ WILL MAIL YOU HIS REPLY TO ITEM 2 OF 2880 DHJ.

REGARDS

SPROULE/TCHELISTCHEFF



L. H. Oppenheim
J. K. Parker

April 17, 1971

Edgar F. Kaiser

E. E. Trefethen, Jr. ✓

The suggestion has been made that I give consideration to visiting Alexander Christiani of Christiani & Nielsen following our Paris visit with Sapir. I have the feeling that if we rush over for a personal visit immediately after the Tecon settlement, it might look as though we are pushing.

I am not clear why it is advisable for me to initiate such a discussion. It seems to me the best thing to do is to wait until we have Tecon in writing and then to advise Christiani and any other partners who should be advised--presumably Paramount. I don't know whether it's necessary to advise MC&S or not.

Let's discuss it on my return from Montreal.

Edgar F. Kaiser

EFK/cam
(Dicated but not read)

Note: This was written on EFK personal letterhead.
Signed onionskin carbon copy of letter to
Minister was attached.

KAISER SERVICES
CENTRAL FILES

*Foreign
Israel*

4/16/71

April 16, 1971

Dear Mr. Alexandroni:

4/16/71
In accordance with Mr. George Woods' request, attached is a copy of the letter signed today and sent on to Minister Sapir in Israel.

As you know, Mr. Woods is leaving for Europe. It would be appreciated if you would confirm to Mr. Woods' office that it will be convenient for Minister Sapir to meet Mr. Woods and me in Paris on Tuesday morning, May 11.

We very much appreciate your assistance in making the arrangements for the meeting with the Minister, and also the time and attention you have given my associates previously.

Kind regards.

Sincerely,

Edgar F. Kaiser

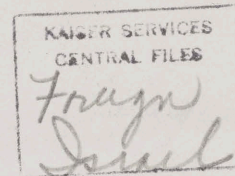
Mr. Shimon Alexandroni
Office of the Economic Minister
Embassy of Israel
850 Third Avenue
New York, N. Y. 10022

Attachment

cc: Mr. George D. Woods

bc: David Hardy L. H. Oppenheim
Paul Meyer J. K. Parker
E. E. Trefethen, Jr.

EDGAR F. KAISER
300 LAKESIDE DRIVE
OAKLAND, CALIFORNIA 94604



April 16, 1971

My dear Mr. Minister:

It is my understanding from Mr. George Woods that you will be available for a meeting in Paris on the morning of Tuesday, May 11. I understand that Mr. Ben Yehuda will be accompanying you, and, as you know, I will be accompanying George Woods. For your information, we will be staying at the Hotel Le Bristol, telephone 359-2315. Kaiser Aluminum has offices in Paris. Mr. Bruce Pairman is in charge at these offices, and the telephone number is 225-0700 should you wish to leave any message. Mr. Woods and I are planning to arrive Paris sometime in the evening of Monday, May 10. Should you find it convenient, we would be happy to receive you and Mr. Ben Yehuda at the Hotel Le Bristol (112 Rue du Faubourg) or to meet you at any other place which you would prefer. We would appreciate it if you would advise of the time and place of the meeting.

You are well aware that several discussions have already taken place with a view to resolving the differences between the DSW and our company. We appreciate the interest and consideration you and members of your Ministry have given Mr. Salomon. Mr. Lipschutz has visited on several occasions with Mr. Levin, and Dr. Rotenstreich, as you know, has also participated in various discussions. Unfortunately, we have not arrived at a meeting of the minds.

It might be helpful if, in advance of our meeting, I gave you my views concerning our claims against the DSW.

I have spent considerable time with my associates and just recently concluded a several days' meeting with our technical experts. With the assistance of the experts, organized groups have been engaged for several years in examining the issues involved in this litigation. It is clear, in my opinion, from these exhaustive studies--factual, legal and technical--that we have a very strong legal, as well as equitable, position. I will not attempt here to

give a detailed discussion of the various claims and issues, but will, however, refer to one of the matters which I consider of utmost importance.

The decision of DSW to reject and replace nearly seven kilometers of clay core and cutoff placed by our company was not justified on any factual, technical or legal basis. Our studies, which have included an examination of the documents so far disclosed by DSW and Haskoning, substantiated, without question, our position on this matter. Our claims have been set out fully in the Statement of Claim and are supported in detail in our counsel's reply to DSW's defense.

We have a high level of confidence that our claims for \$36 million, together with interest and costs, are legally justified and would be recognized by the courts. Nevertheless, we are prepared at this time to compromise with DSW. For both sides, the costs of litigation continue to mount. These costs are real and only injure the litigants. We think a fair settlement is in the best interests of both DSW and ourselves.

As to the proper settlement figure, I understand that Mr. Salomon told you that he would recommend to us a full settlement at \$18 million, based on a rationale that he believed to be sound and justified. I must say frankly that I think this figure was too low. The strength of our legal case justifies a negotiated settlement at a far higher level. The equities of the situation also clearly demonstrate that we are entitled to more. The entirely unjustified rejection of clay core and cutoff and seizure of equipment has subjected us to unnecessary interest expense, costs of litigation and diversion of the time and effort of many of our key people, none of which is reflected in the \$18 million figure proposed by Mr. Salomon.

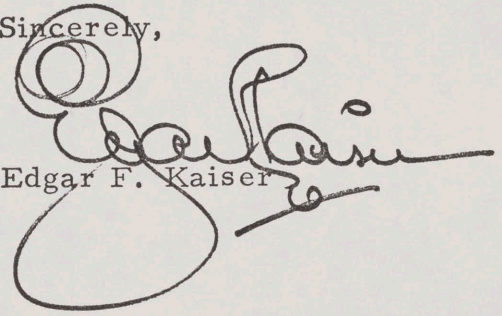
However, in view of Mr. Salomon's proposal and in order to dispose of this matter once and for all, I am willing to split the \$36 million figure down the middle and accept \$18 million. After all, I do not know any better way to settle a disputed matter than to split it 50-50.

I should make it clear that I have not referred in this letter to our company's claims against Haskoning, as they require separate consideration with Haskoning and its counsel.

Aside from the subject matter of our meeting, I shall look forward to the pleasure of seeing you again.

Kindest personal regards.

Sincerely,



Edgar F. Kaiser

The Honorable Pinchas Sapir
Minister of Finance
Government of Israel
Jerusalem, Israel

cc: Mr. George D. Woods

KAISERV OAK C

KAISERSERV NYK

OAKLAND CALIF 4-15-71 TELEX A6

MR DOUG BATT
NEW YORK OFFICE

PLEASE DELIVER FOLLOWING TO GEORGE WOODS IN SEALED ENVELOPE
AS SOON AS POSSIBLE:

QUOTE

MR. GEORGE WOODS

FOLLOWING IS TELEX JUST RECEIVED FROM ENGLISH COUNSEL, WHICH, IN
VIEW OF MEETINGS THIS MORNING, MR. KAISER AND OTHERS HAVE NOT YET
HAD OPPORTUNITY TO CONSIDER:

QUOTE

FOR EDGAR KAISER/DAVID HARDY MW267
I HAVE DISCUSSED WITH SOUTHWELL THE FIRST DRAFT OF SUGGESTED
LETTER TO MINISTER SAPIR. FOR CONVENIENCE WE SET OUT IN FULL
WHAT WE SUGGEST SHOULD BE SENT TO SAPIR RATHER THAN TELEX OUR
PROPOSED AMENDMENTS TO THE FIRST DRAFT.

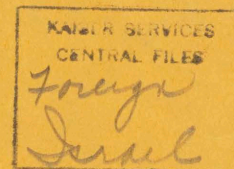
OUR REASONS FOR SOME OF THE CHANGES ARE:

(A) WE THINK IT BETTER TO OMIT THE NAMES AND QUALIFICATIONS
OF THE PANEL, AS DSW KNOW WHO THEY ARE, THEIR REPUTATIONS
AND ALSO WHAT HAPPENED IN 1966. DURING THE MEETING, YOU CAN
REFER TO THE PANEL PLUS PROFESSORS NASH/GIBSON ETC.

(B) WE THINK IT BETTER, HAVING REGARD TO PERSONALITIES OF
DSW AND ITS ADVISERS, THAT YOU SHOULD BE ON A LEGAL/TECHNICAL
BASIS, AND NOT REFER TO EQUIATBLE POSITION.

(C) FOR LEGAL REASONS, THERE IS A DISTINCTION WHICH COULD BE
IMPORTANT BETWEEN HASKINING (THE DUTCH ENGINEERING FIRM)
AND THE ENGINEER UNDER THE CONTRACT.

(D) THE MOST IMPORTANT POINTS RELATE TO THE WAY IN WHICH



ONE REFERS TO THE SETTLEMENT FIGURE. WE BELIEVE THAT DSW AND LEVIN WOULD REGARD IT AS A SIGN OF WEAKNESS (AS WE WOULD IF WE WERE IN THEIR POSITION) TO ATTEMPT TO JUSTIFY A FIGURE OF DOLLARS 24 M AND THEN TO COME FORWARD WITH AN OFFER OF SETTLEMENT AT DOLLARS 18 M. WE ALSO THINK IT UNWISE IN THIS LETTER TO SET OUT THE WAY IN WHICH THE FIGURE OF DOLLARS 18 M OR ANY OTHER FIGURE IS ARRIVED AT.

YOU WILL NOTE WE HAVE REFERRED TO DOLLARS 18 M (TOGETHER WITH THE PROCEEDS OF SALE OF THE EQUIPMENT AND INVENTORY) AND COSTS AND NOT MERELY TO DOLLARS 18 M. WE HAVE AMENDED THE PARAGRAPH IN RELATION TO COSTS TO EMPHASISE ITS IMPORTANCE.

YOU WILL APPRECIATE THAT A LETTER IN THE FORM AS DRAFTED BY YOU AND ALSO IN OUR FORM MAY CAUSE DIFFICULTIES WITH SALOMON.

YOU HAVE OMITTED FROM THE LETTER ANY REFERENCE TO SOUTHWELL'S POINT THAT SETTLEMENT DISCUSSIONS WILL NOT GET ANYWHERE UNTIL DSW OFFER TO PAY SOMETHING. WE ACCEPT THAT YOU PREFER NOT TO SAY THIS IN THE LETTER, BUT WE WOULD LIKE TO EMPHASISE THAT IN THE DISCUSSIONS WITH SAPIR THERE SHOULD BE NO MOVE AT ALL FROM THE FIGURE OF DOLLARS 18 M PLUS EQUIPMENT PLUS COSTS UNTIL A FIRM OFFER TO PAY A SENSIBLE AMOUNT HAS BEEN MADE BY THE MINISTER OR DSW.

(E) WE HAVE DELETED THE REFERENCE TO THE COUNTER CLAIM, AS IN OUR VIEW IT IS NOT OPPORTUNE TO REFER TO THE COUNTERCLAIM IN THE LETTER WHICH WILL BE READ, WE ASSUME, BY DSW AND LEVIN BEFORE THE MEETING. THE POINT YOU MAKE COULD BE COVERED IN THE DISCUSSIONS WITH SAPIR.

OUR DRAFT TELEX TO SAPIR READS:

" MY DEAR MR. MINISTER,

GEORGE WOODS ADVISES THAT YOU HAVE SUGGESTED THAT WE MEET IN PARIS ON THE MORNING OF TUESDAY, 11 TH M Y.

I UNDERSTAND THAT MR. BEN YEHUNDA WILL BE ACCOMPANYING YOU, AND, AS YOU KNOW, EYE WILL BE ACPMPANYING MR. GEORGE WOODS. FOR YOUR INFORMATION, WE WILL BE STAYING AT THE HOTEL LE BRISTOL, TELEPHONE 359-2315. KAISER ALUMINUM HAS OFFICES IN PARIS. MR. BRUCE PAIRMAN IS IN CHARGE AT THESE OFFICES, AND THE TELEPHONE NUMBER IS 225-0700 SHOULD YOU WISH TO LEAVE ANY MESSAGE. MR. WOODS AND I ARE PLANNING TO ARRIVE PARIS SOMETIME INTHE EVENING OF MONDAY 10TH MAY . SHOULD YOU FIND IT CONVENIENT WE WOULD BE HAPPY TO RECEIVE YOU AND MR. BEN YEHUDA AT THE HOTEL LE BRISTOL, (112 RUE DU FAUBOURG) OR

TO MEET YOU AT ANY OTHER PLACE WHICH YOU WOULD PREFER. WE WOULD APPRECIATE IT IF YOU WOULD ADVISE OF THE TIME AND PLACE OF THE MEETING.

IT MIGHT BE HELPFUL IF, IN ADVANCE OF OUR MEETINGS, I GAVE YOU MY VIEWS CONCERNING OUR CLAIM AGAINST THE DSW.

YOU ARE WELL AWARE THAT SEVERAL DISCUSSIONS HAVE ALREADY TAKEN PLACE WITH A VIEW TO RESOLVING THE DIFFERENCES BETWEEN THE DSW AND OUR COMPANY. WE APPRECIATE THE INTEREST AND CONSIDERATION YOU AND MEMBERS OF YOUR MINISTRY HAVE GIVEN MR. SALOMON. MR. LIPSCHUTZ HAS VISITED ON SEVERAL OCCASIONS WITH MR. LEVIN, AND DR. ROTENSTREICH, AS YOU KNOW, HAS ALSO PARTICIPATED IN VARIOUS DISCUSSIONS. UNFORTUNATELY, THESE MEETINGS HAVE NOT RESULTED IN ANY MEETING OF THE MIND.

I HAVE SPENT CONSIDERABLE TIME WITH MY ASSOCIATES AND JUST RECENTLY CONCLUDED A SEVERAL - DAYS MEETING WITH OUR TECHNICAL EXPERTS. WITH THE ASSISTANCE OF THE EXPERTS, ORGANISED GROUPS HAVE BEEN ENGAGED FOR SEVERAL YEARS IN EXAMINING THE ISSUES INVOLVED IN THIS LITIGATION. IT IS CLEAR, IN MY OPINION, FROM THESE EXHAUSTIVE STUDIES - FACTUAL, LEGAL AND TECHNICAL - THAT WE HAVE A VERY STRONG LEGAL POSITION. I WILL NOT ATTEMPT HERE TO GIVE A DETAILED DISCUSSION OF THE VARIOUS CLAIMS AND ISSUES, BUT WILL HOWEVER, REFER TO ONE OF THE MATTERS WHICH I CONSIDER OF UTMOST IMPORTANCE.

THE DECISION OF DSW TO REJECT AND REPLACE NEARLY SEVEN KILO -METRES OF CLAY CORE AND CUTOFF PLACED BY OUR COMPANY WAS NOT JUSTIFIED ON ANY FACTUAL, TECHNICAL OR LEGAL BASIS. OUR STUDIES, WHICH HAVE INCLUDED AN EXAMINATION OF THE DOCUMENTS SO FAR DISCLOSED BY DSW, AND HASKONING SUBSTANTIATED WITHOUT QUESTION OUR POSITION ON THIS MATTER. OUR CLAIMS HAVE BEEN SET OUT FULLY IN THE STATEMENT OF CLAIM AND ARE SUPPORTED IN DETAIL IN OUR COUNSEL'S REPLY TO DSW'S DEFENCE.

FROM TIME TO TIME IT HAS BEEN SUGGESTED THAT WE SHOULD INDICATE WHAT SUM WE WOULD BE PREPARED TO ACCEPT IN FULL AND COMPLETE SETTLEMENT. AFTER CAREFUL REVIEW OF ALL OF THE FACTUAL AND LEGAL MATTERS NOW AVAILABLE TO US, WE ARE PREPARED TO ADVISE YOU WHAT WE BELIEVE WOULD BE AN ACCEPTABLE SETTLEMENT.

MR. SALOMON, IN A DISCUSSION WITH YOU, WE UNDERSTAND ADVISED THAT HE WOULD RECOMMEND TO US A SETTLEMENT IN THE AMOUNT OF

DOLLARS 18 M. I MUST SAY TO YOU FRANKLY THAT I THINK THIS FIGURE WAS TOO LOW. I THINK THAT HAVING REGARD TO OUR LEGAL POSITION, A HIGHER FIGURE BY WAY OF SETTLEMENT COULD VERY EASILY BE JUSTIFIED: HOWEVER, WE WILL STAND BY THIS FIGURE EVEN THOUGH WE THINK IT IS TOO LOW, AND WE WILL ACCEPT DOLLARS 18 M (TOGETHER WITH THE PROCEEDS OF SALE OF THE EQUIPMENT AND INVENTORY) AND COSTS IN SETTLEMENT OF ALL DISPUTES BETWEEN OUR COMPANY AND THE DSW. ON THIS POINT, I SHOULD ALSO LIKE TO REFER TO THE MATTER OF COSTS. FOR BOTH SIDES THESE ARE ALREADY LARGE, AND ARE MOUNTING RAPIDLY. THOUGH OUR OFFER IS A FIRM ONE, IT WILL INEVITABLY RISE AS MORE COSTS ARE INCURRED. YOU MAY THEREFORE BELIEVE, (AS I DO) IT IS IN OUR MUTUAL BEST INTERESTS TO ACHIEVE A SETTLEMENT AT THIS STAGE.

I SHOULD MAKE IT CLEAR THAT I HAVE NOT REFERRED IN THIS LETTER TO OUR COMPANY'S CLAIMS AGAINST HASKONING, AS THEY REQUIRE SEPARATE CONSIDERATION WITH HASKONING AND ITS COUNSEL.

ASIDE FROM THE SUBJECT MATTER OF OUR MEETING, I SHALL LOOK FORWARD TO THE PLEASURE OF SEEING YOU AGAIN.

KINDEST PERSONAL REGARDS,

ECT.''

I AM AVAILABLE AT HARPENDEN 60941 IF YOU WOULD LIKE TO DISCUSS ANY POINTS

REGARDS

WILLIAMS""""

UNQUOTE

NINA

KAISERSERV NYK

KAISERV OAK C

1045AM

DIAMOND NATIONAL CORPORATION
DIAMOND GRAPHIC ARTS DIVISION

DIAMOND NATIONAL CORPORATION
DIAMOND GRAPHIC ARTS DIVISION

⊕
KAISERSERV NYK

KAISERV OAK C

AT TH E END OF TELEX A6
COULD YOU PLEASE ADD

UNQUOTE

NINA

THANKS

⊕
KAISERSERV NYK

KAISERV OAK C

27K - Corporate - Israel
Foreign - Israel

*Foreign
Israel*

Messrs. David Hardy
Paul Meyer
L. H. Oppenheim
J. K. Parker
E. E. Trefethen, Jr. ✓

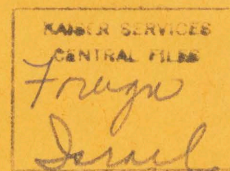
April 14, 1971

Nina McCormick

George Woods called this afternoon and dictated the following message for Mr. Kaiser at Lafayette--which Mr. Kaiser asked that we type and distribute to each of you:

1. Had completely satisfactory talk with Mr. Alexandroni.
2. Letter to the Minister should go forward to the Minister in Israel, with a signed copy sent to Alexandroni in New York.
3. Alexandroni is cabling Minister that we two will meet with the Minister and one other and will ask Minister to confirm.
4. If anything on this matter arises after I leave on Saturday, Alexandroni will communicate directly with you.

Nina



4/13/71

DIAMOND NATIONAL CORPORATION DIAMOND GRAPHIC ARTS DIVISION

DIAMOND NATIONAL CORPORATION DIAMOND GRAPHIC ARTS DIVISION

KAISERSERV NYK

KAISERV OAK C

OAKLAND CALIF 4-13-71 TELEX A45

DOUG BATT

NYK OFC

4/13/71
RE MY TELEX TO GEORGE WOODS PLEASE INSERT FOLLOWING AFTER WORD

QUOTE IN SECOND LINE:

DEAR GEORGE: THE FOLLOWING IS OUR FIRST DRAFT OF A
SUGGESTED LETTER TO MR. SALOMON. WOULD APPRECIATE YOUR
REVIEW AND ANY COMMENTS YOU MAY HAVE SO WE CAN GET IT IN
SHAPE FOR YOUR DELIVERY TO ALEXANDRONI FRIDAY AS WE DISCUSSED.

EDGAR F KAISER

KAISERSERV NYK

739PM PST

KAISERV OAK C

KAISERV OAK C

Ⓢ

KAISERSERV NYK

OAKLAND CALIF 4/13/71 TELEX A44

DOUG BATT

NEW YORK OFFICE

PLEASE DELIVER THE FOLLOWING MESSAGE IN A SEALED ENVELOPE TO MR.
GEORGE WOODS' OFFICE FIRST THING WEDNESDAY MORNING QUOTE MY DEAR
MR. MINISTER: GEORGE WOODS ADVISES THAT YOU HAVE VERY KINDLY
SUGGESTED

THAT WE MEET IN PARIS ON THE MORNING OF TUESDAY,
MAY 11. EYE UNDERSTAND THAT MR. BEN YEHUDA WILL BE ACCOMPANYING
YOU, AND, AS KYOU KNOW, EYE WILL BE ACCOMPANYING MR. GEORGE WOODS.
FOR YOUR INFORMATION, WE WILL BE STAYING AT THE HOTEL LE BRISTOL,
TELEPHONE 359-2315. KAISER ALUMINUM HAS OFFICES IN PARIS.
MR. BRUCE PAIRMAN IS IN CHARGE OF THESE OFFICES, AND THAT TELEPHONE
NUMBER IS 225-0700 SHOULD YOU WISH TO LEAVE ANY MESSAGE. MR. WOODS
AND EYE ARE PLANNING TO ARRIVE PARIS SOME TIME THE AFTERNOON OF
MONDAY, MAY 10.

PARAGRAPH IT MIGHT BE HELPFUL IF, IN ADVANCE OF OUR MEETING, EYE
GIVE YOU MY VIEWS CONCERNING OUR CLAIMS AGAINST THE DEAD SEA WORKS.

PARAGRAPH YOU ARE WELL AWARE THAT SEVERAL DISCUSSIONS HAVE ALREADY
TAKEN PLACE WITH A VIEW TO RESOLVING THE DIFFERENCES BETWEEN THE
DSW AND OUR COMPANY. WE APPRECIATE THE INTEREST AND CONSIDERATION
YOU AND MEMBERS OF YOUR MINISTRY HAVE GIVEN MR. SALOMON.

MR. LIPSCHUTZ HAS VISITED ON SEVERAL OCCASIONS WITH MR. LEVIN AND DR. ROTENSTREICH, AS YOU KNOW, HAS ALSO PARTICIPATED IN VARIOUS DISCUSSIONS. WHILE THESE DISCUSSIONS HAVE BEEN NECESSARY, UNFORTUNATELY WE HAVE NOT ARRIVED AT A MEETING OF THE MINDS.

PARAGRAPH EYE HAVE SPENT CONSIDERABLE TIME WITH MY ASSOCIATES, AND JUST RECENTLY CONCLUDED A SEVERAL DAYS' MEETING WITH THE TECHNICAL EXPERTS, DR. LAURITS BJERRUM OF NORWAY, DR. RALPH PECK OF THE UNIVERSITY OF ILLINOIS, AND DR. THOMAS LEPS FROM CALIFORNIA. SUFFICE TO SAY THAT EACH OF THESE MEN IS RECOGNIZED WORLD-WIDE FOR HIS COMPETENCE IN HIS PARTICULAR FI

ELD. WITH THE ASSISTANCE OF THESE MEN AND OTHER RECOGNIZED EXPERTS, ORGANIZED GROUPS HAVE BEEN ENGAGED FOR SEVERAL YEARS IN EXAMING THE ISSUES INVOLVED IN THIS LITIGATION. IT IS CLEAR, IN MY OPINION, FROM THESE EXHAUSTIVE STUDIES-- FACTUAL, LEGAL AND TECHNICAL-- THAT WE HAVE A VERY STRONG LEGAL AS WELL AS EQUITABLE POSITION. EYE WILL NOT ATTEMPT HERE TO GIVE A DETAILED DISCUSSION OF THE VARIOUS CLAIMS AND ISSUES, BUT WILL, HOWEVER, REFER TO ONE OF THE MATTERS WHICH EYE CONSIDER OF UTMOST IMPORTANCE.

PARAGRAPH THE DECISION OF DSW TO REJECT AND REPLACE NEARLY SEVEN KILOMETERS OF CLAY CORE AND CUTOFF PLACED BY OUR COMPANY WAS NOT JUSTIFIED ON ANY FACTUAL, TECHNICAL OR LEGAL BASIS. OUR STUDIES, WHICH HAVE INCLUDED AN EXAMINATION OF THE DOCUMENTS SO FAR DISCLOSED BY DSW AND HASKONING (THE DUTCH ENGINEERS), SUBSTANTIATES WITHOUT QUESTION OUR POSITION ON THIS MATTER. OUR CLAIMS HAVE BEEN SET OUT FULLY IN A STATEMENT OF CLAIMS AND ARE SUPPORTED IN DETAIL IN OUR COUNSEL'S REPLY TO DSW'S DEFENSE.

PARAGRAPH FROM TIME TO TIME IT HAS BEEN SUGGESTED THAT WE SHOULD INDICATE WHAT SUM WE WOULD BE PREPARED TO ACCEPT IN FULL AND COMPLETE SETTLEMENT. AFTER CAREFUL REVIEW OF ALL OF THE FACTUAL MATTERS NOW AVAILABLE TO US, WE ARE PREPARED TO ADVISE YOU WHAT WE BELIEVE WOULD BE A FAIR AND EQUITABLE SETTLEMENT.

PARAGRAPH MR. SALOMON, IN A RECENT DISCUSSION WITH YOU, WE UNDERSTAND ADVISED THAT HE WOULD RECOMMEND TO US A SETTLEMENT IN THE AMOUNT OF DOLLARS 18 MILLION. EYE MUST SAY TO YOU FRANKLY THAT EYE THINK THIS FIGURE WAS TOO LOW. MY REASONING IS THAT OUR CLAIMS TOTAL SOME DOLLARS 36 MILLION PLUS INTEREST AND COSTS. AS EYE HAVE STATED PREVIOUSLY, AFTER CONSIDERATION OF ALL THE FACTS THAT ARE NOW AVAILABLE, BOTH WITH

PAGE 3

RESPECT TO DOCUMENTS AND PHYSICAL TESTS, IT IS QUITE CLEAR THAT THE REJECTION OF THE CORE WAS AN INCORRECT DECISION. STATING MY LOGIC IN ARRIVING AT WHAT EYE CONSIDER A FAIR FIGURE, EYE BELIEVE THAT APPROXIMATELY DOLLARS 12.3 MILLION IS OWED OUR COMPANY WITHOUT ANY QUESTION. IN OTHER WORDS, THE DOLLARS 12.3 MILLION REPRESENTS MATTERS WHICH EYE BELIEVE ARE NOT OPEN TO QUESTION AND IS DEFINITELY DUE US. OUR CLAIMS TOTAL DOLLARS 36 MILLION. THEREFORE, SINCE WE CONSIDER THAT DOLLARS 12.3 MILLION COVERS ITEMS THAT, IN OUR JUDGMENT, CANNOT BE REASONABLY DISPUTED, THERE REMAINS A BALANCE OF DOLLARS 23.7 MILLION. IF WE ARE TO SETTLE THIS MATTER BY NEGOTIATION, EYE DON'T KNOW ANY BETTER WAY THEN TO TAKE ONE-HALF OF DOLLARS 23.7 MILLION, WHICH IS DOLLARS 11,850,000, AND ADDING THAT TO THE DOLLARS 12.3 MILLION MAKES A TOTAL OF DOLLARS 24,150,000. PARAGRAPH ON THE OTHER HAND, THERE ARE TWO TWO ADDITIONAL FACTORS THAT COULD BE CONSIDERED. THE FIRST IS THAT EYE AM REASONABLY CERTAIN THE MANAGEMENT OF DSW WILL CONSIDER THAT THE ENTIRE AMOUNT IS IN DISPUTE AND, ON THAT BASIS, ONE-HALF OF DOLLARS 36 MILLION IS DOLLARS 18 MILLION-- AND THAT WOULD BE THEIR REASONING WITH RESPECT TO A FIFTY-FIFTY NEGOTIATED SETTLEMENT. THE SECOND POINT IS THAT MR SALOMON ON HIS OWN BEHALF--PROPOSED TO YOU THAT HE WOULD RECOMMEND TO US AN DOLLARS 18 MILLION SETTLEMENT BASED UPON A RATIONALE THAT HE BELIEVED TO BE QUITE SOUND AND JUSTIFIED. HOWEVER, WHEN YOU LOOK AT IT OVER-ALL, AS A MATTER OF PRINCIPLE, THE DOLLARS 18 MILLION MR SALOMON SUGGESTED TURNS OUT TO BE HALF OF THE TOTAL CLAIMS, EXCLUSIVE OF THE INTEREST AND COSTS. PARAGRAPH WHILE EYE BELIEVE THAT THE FIGURE OF DOLLARS 24,150,000 IS BOTH FAIR AND EQUITABLE, IN LIGHT OF THE YEARS OF TIME AND EFFORT THAT SO MANY PEOPLE HAVE SPENT ON THIS SUBJECT, NEVERTHELESS CONSIDERING MR SALOMON'S DISCUSSIONS WITH YOU, WE ARE PREPARED TO ACCEPT NOW IN FULL AND COMPLETE SETTLEMENT THE SUM OF DOLLARS 18 MILLION. PARAGRAPH RATHER THAN TO PURSUE THIS MATTER IN THE COURTS, AS WE ARE PREPARED TO DO, EYE BELIEVE IT IS IN OUR MUTUAL BEST INTERESTS TO TRY TO ACHIEVE A SETTLEMENT AT THIS TIME. BOTH THE DSW AND OUR COMPANY ARE EXPERIENCING CONSIDERABLE EXPENSE. THESE AMOUNTS, EYE AM CERTAIN, ARE VERY SUBSTANTIAL TO BOTH PARTIES. PARAGRAPH EYE SHOULD MAKE IT CLEAR THAT EYE HAVE NOT

PAGE 4

REFERRED IN THIS LETTER TO OUR COMPANY'S CLAIMS AGAINST HASKONING

AND THEY REQUIRE SEPARATE CONSIDERATION WITH HASKONING AND ITS COUNSEL. ONE OTHER VIEW WE WOULD LIKE TO EXPRESS THAT WITH RESPECT TO A COUNTERCLAIM WHICH EYE HAVE BEEN HEARING FOR MANY MONTHS NOW IS ABOUT TO BE FILED BY DSW. IT IS JUST UNTHINKABLE THAT THOSE MILLIONS OF DOLLARS WERE SPENT IN TAKING OUT A CORE THAT CLEARLY, WITHOUT ANY QUESTION, NOT ONLY MET THE SPECIFICATIONS, BUT WAS A GOOD CORE AND WOULD HAVE PERFORMED ITS FUNCTION VERY SATISFACTORILY, AND EQUALLY UNTHINKABLE THAT DSW WOULD EXPECT US TO REIMBURSE IT FOR THESE NEEDLESS EXPENDITURES. PARAGRAPH EYE REGRET THAT THE ABOVE LETTER IS SO LONG, BUT EYE HOPE THAT IT WILL BE HELPFUL IN STARTING OUR DISCUSSIONS IN PARIS. PARAGRAPH MR. WOODS AND EYE WILL BE AVAILABLE TO MEET YOU ANY TIME AND ANY PLACE, AT YOUR CONVENIENCE, TUESDAY MORNING, MAY 11. AS EYE MENTIONED, WE WILL BE AT THE HOTEL LE BRISTOL, AT 112, RUE DU FAUBOURG ST. HONORE, AND SHOULD YOU FIND IT CONVENIENT TO MEET THERE, WE WOULD BE HAPPY TO RECEIVE YOU AND MR BEN YEHUDA. HOWEVER, WE, AS EYE HAVE SAID, WILL BE PLEASED TO MEET YOU ANY OTHER PLACE AND AT ANY TIME THAT IS CONVENIENT TO YOU. WE WOULD APPRECIATE IT IF YOU WOULD ADVISE US THE TIME AND PLACE FOR THE MEETING. PARAGRAPH ASIDE FROM THE SUBJECT MATTER OF OUR MEETING, EYE SHALL LOOK FORWARD TO THE PLEASURE OF SEEING YOU AGAIN.

KINDEST PERSONAL REGARDS.

SINCERELY,

EDGAR F. KAISER

CORR PAGE 1 6TH LINE 4TH OWORD YOU
KAISERSERV NYK

KAISERV OAK C
726PM

April 12, 1971
0915

Mr. Kaiser:

Mr. David Schwarz, who works for Alexandroni, called. This morning they received information from Minister Sapir about his availability for a meeting in Europe. This information was passed on to George Woods who probably will be in touch with you about it.

Minister Sapir will be in London on May 10--will be in Paris on May 11 and Geneva on May 13. He is willing to meet with you, or any of your representatives, in any of these three places. He would prefer, if possible, to meet in Paris on May 11 before 1200 noon; however, he is available to meet with you in any of the three cities.

If and when the meeting is arranged, Mr. Schwarz wanted you to know that Minister Sapir will be accompanied by the new chairman of the Dead Sea Works, Ben Yehudah.

Cheryl

Woods OK on 11 May 11th
Hardy - Schwartz letter forwarded
to Sapir

RECEIVED
KAISER INDUSTRIES
KAISER SERVICES

APR 12 7 49 AM '71

RECEIVED

APR 12 1971

EDGAR F. KAISER
OAKLAND

KAISER SERVICES
CENTRAL FILES

*Freight
Daniel*

4/12/71

DIAMOND NATIONAL CORPORATION
DIAMOND GRAPHIC ARTS DIVISION

DIAMOND NATIONAL CORPORATION
DIAMOND GRAPHIC ARTS DIVISION

KAISERV OAK A

KAISERSERV NYK

NYK KS 1 4/12/71 10:40

OKL KI - EDGAR F KAISER

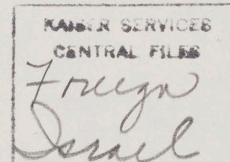
7
SAPIR'S CABLE ARRIVED AND I HAVE ASKED ALEXANDRONY TO
TELEPHONE IT TO YOUR OFFICE. I TOLD HIM DATES SUGGESTED
PRESENT A PROBLEM FOR YOU BUT THAT EITHER YOU OR I WOULD
COMMUNICATE WITH SAPIR THROUGH ALEXANDRONY BEFORE THIS
WEEK IS OUT. SUGGEST YOU CALL ME THIS AFTERNOON NEW YORK
TIME.

WOODS

KAISERV OAK A

KAISERSERV NYK

KAISER
INDUSTRIES



KAISER INDUSTRIES CORPORATION
KAISER CENTER • 300 LAKESIDE DRIVE
OAKLAND, CALIFORNIA 94604. PHONE 271-2211

OFFICE OF THE
CHAIRMAN OF THE BOARD

April 12, 1971

Dear Yaacov:

Since my return from London, it has been the usual--if not more so--hectic schedule. However, I was of the opinion that Sara and you would be in Europe for a few weeks, so I hope this letter is awaiting you on your return.

First, I was delighted to have the opportunity to spend the time we did together, quietly and thoughtfully discussing our subject. This is in addition to the personal pleasure of being with Sara and you. I must confess that the evening at the theater left something to be desired so far as the theater was concerned, but not so far as the company.

Mr. Woods has received advice from Alexandroni that the Minister is extremely busy--probably because of the current ceasefire, etc., negotiations. Alexandroni advised that he did, however, expect he would have an answer from the Minister and so we are awaiting the reply. In the meantime, I suggest that we hold initiating any further action pending advice from the Minister regarding the meeting. We will, of course, be in contact with you as soon as we hear. Needless to say, in the meantime we continue--with the splendid cooperation of yourself and Messrs. Rotenstreich and Lipschutz--toward expediting progress for an early trial.

Sue joins in sending our warm regards to Sara and you.

Sincerely,

Edgar F. Kaiser

Mr. Yaacov Salomon
P. O. Box 303
Haifa, Israel

bcc: Messrs. E. E. Trefethen, Jr., David Hardy, J. E. Hughes,
P. C. Meyer, L. H. Oppenheim, J. K. Parker and
George Woods

Frazn
Israel

4/9/71

April 9, 1971

MEMORANDUM

Mr. George D. Woods
277 Park Avenue
New York, N. Y. 10017

There is attached for your information a copy of a suggested letter to be written to Sapir under conditions (A), (B) or (C). It is the opinion of our British Barrister, who has been on this case for a number of years, that such a letter would be very helpful. Of course, he is looking at it from a legal position, believing that it would be helpful if the Minister understood we had some strength to our case, rather than just an appeal on the basis of having lost money.

Knowing Sapir and having met with him on this subject a number of times, I am very doubtful whether it is advisable to send such a letter. I am assuming that we will hear in a matter of a reasonable length of time concerning a meeting with Sapir and, when we do hear, then we can rephrase the letter. I am certain that Barrister Southwell has in mind that Sapir will transmit copies of such a letter to the Dead Sea counsel and that this may stimulate some realistic thinking on their part with respect to supporting Sapir in settlement negotiations. You will note from Paragraph (4) that Southwell is also attempting to respond to Sapir's indirect request for a figure.

Yaacov Salomon, in our discussions in London, made it clear--and restated it any number of times--that when he proposed an \$18 million figure to Sapir he (Salomon) made it very clear that this was his offer, and not Kaiser's offer. I wish to confirm that, with respect to Southwell's paragraph numbered 5, it is true that we told Salomon we would stand on his \$18 million offer; but Salomon, in London, again assured us he has never mentioned this to Sapir.

I am sending this to you so that you can give it some thought pending hearing from Sapir, and then we can have the benefit of your judgment regarding whether we write a letter or don't write a letter, and, if we do, what we should say.

Regards.

Edgar

EFK:m

Attach.

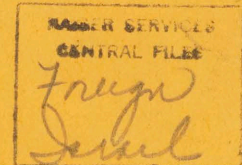
(Dictated but not read)

cc: David Hardy
P. C. Meyer
L. H. Oppenheim
J. E. Hughes
W. R. Sproule

RECEIVED

APR 2 1971

EDGAR F. KAISER
OAKLAND



4/2/71

KAISERSERV OAK
EDGAR F. KAISER
OAKLAND, CALIFORNIA

THIS IS THE FIRST BOSTON CORP NY

1.

ALEXANDRONY HAS NO RESPONSE FROM SAPIR. HE FEELS THIS
IS DUE TO WAR SITUATION AND BELEVES SAPIR WILL
RESPOND IN DUE COURSE.

2.

RE YOUR LETTER ⁺29TH FIRST BOSTON MAN LONDON
IS WARREN K. MCOMBER

GEORGE WOODS

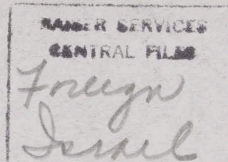
THE FIRST BOSTON CORPORATION

WELL RECD T PLS

KAISERSERV OAK

T

RECEIVED
KAISER INDUSTRIES
KAISER SERVICES
APR 2 10 41 AM '71



David Hardy

April 2, 1971

Edgar F. Kaiser

E. E. Trefethen, Jr.

P. C. Meyer

L. H. Oppenheim

W. R. Sproule

4/2/71
Attached is a copy of a telex received from Woods which is self-explanatory.

Under the circumstances, I think we should withhold at least for a short time, any letter to Sapir pending his response to Woods via Alexandroni.

Edgar F. Kaiser

EFK/cam
Attch.

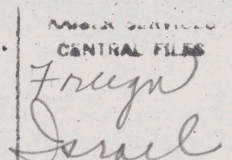
From the Desk of

L. H. OPPENHEIM

4-7-71

Mr. E. E. Trefethen, Jr.

**KAISER
STEEL**



MEMO TO:

J. E. Hughes
Edgar F. Kaiser
P. C. Meyer
L. H. Oppenheim ✓
W. R. Sproule

DATE:

April 1, 1971

COPIES TO:

FROM:

David Hardy

AT:

SUBJECT:

Richard Southwell has transmitted by telex and we have copied an opinion which contains the proposed text of a letter which could be sent by Mr. Kaiser to Mr. Sapir.

The opinion also contains certain comments by Mr. Southwell on his draft. Of particular importance is the discussion as to whether or not we can revoke or raise the offer of \$18 million which has in effect been made in our behalf by Yaacov Salomon. It could very well be that we are stuck with that figure, and if that is the ultimate decision, further changes in the draft letter will be required.

I also agree with Mr. Southwell's suggestion that a letter should be sent by Mr. Kaiser to Mr. Salomon and consider that the points he has made in his draft are appropriate.

DH:mcs
Enc.

RECEIVED
APR 2 1971
L. H. OPPENHEIM

OPINION

1. Following the conference on the 26th March 1971 I have considered the form of letter which might be sent by Mr. Kaiser to Mr. Sapir. The approach made by Mr. Woods may lead to

Either (A) An indication that Mr. Sapir is not prepared to have a meeting:

Or (B) A meeting held in the near future:

Or (C) An indication that Mr. Sapir is prepared to have a meeting in due course.

A different form of letter would have to be drafted for each of these results. I consider (C) the most likely result, and have therefore drafted on the basis of (C). If (A) or (B) occur, my draft will necessarily require re-drafting.

2. I set out in this paragraph my draft form of letter, and comment on it in succeeding paragraphs. The numbers in brackets would not be included in the letter as sent: I have included them merely for ease of reference.

"Dear Minister,

(1) I understand from George Woods that you wish to meet with me to discuss the action between our Joint Venture Companies and Dead Sea Works Ltd. I will be glad to meet with you, and I hope that a convenient time and place can be arranged. But naturally it will be a little while before we are able to meet. I am writing in advance of our meeting to set out the position as we see it, since I believe this may help towards a deeper understanding of our position in this dispute.

(2) Various discussions have already taken place with a view to trying to resolve the differences between DSW and our companies. Mr. Salomon has seen you and members of your ministry. With Mr. Lipschutz he has seen Mr. Levin and members of the management of DSW. Mr. Lipschutz has separately had discussions with Mr. Levin. Dr. Rotenstreich has also participated in discussions. All these discussions have been no more than preliminary exchanges of different points of view, and have not made any real progress at all.

(3) I have carefully examined the reasons why no real progress has been made in the discussions between the two sides. I have concluded that the essential factors are these:

(A) Settlement of the differences between DSW and our companies will necessarily involve payment by DSW to our companies. This is abundantly clear from the exhaustive studies, factual, legal and technical, which our teams have been making of the matters in issue. I will not lengthen this letter with a detailed discussion of the various claims and issues, and will merely refer to one of the central matters, the decision to reject and replace nearly 7 kilometres of clay core and cut-off placed by our companies. Our teams' studies (which have included an examination of the documents so far disclosed by DSW and Haskoning) show very clearly that this decision was not justified on any factual, technical or legal basis. Our claims are set out fully in the Statement of Claim, and are fully supported by the matters pleaded in the reply to DSW'S defence. If these claims are to be settled by a compromise there will have to be a substantial payment by DSW.

(B) I find that during the various discussions there has at no time been any firm offer (or indeed any expression of readiness falling short of a firm offer) by DSW to pay anything by way of settlement. I believe that settlement discussions will not make any real progress until DSW have made up their minds to offer and have offered to pay a certain sum by way of final settlement of the disputed matters. Whether DSW wish to do this is naturally a matter for them. But until they do so settlement will remain as far away as ever.

(4) From time to time it has been suggested that we on our side should indicate what sum we would be prepared to take in settlement. Various figures have been mentioned from time to time in the previous discussions. But no figures have been put forward firmly after full consideration. As I have already said, it is my view that there will be no real progress until DSW make a firm offer. But I do not wish to leave you with any misapprehension as to the position we take. As part of our full review of this case we have now considered very carefully what sum we would be prepared to accept by way of settlement. In the light of the strong evidence now available to us we have taken stock, and have decided ourselves to make a firm offer of settlement. Our offer is this: To take 22 million dollars, together with the money obtained from sales of the equipment and inventory, and costs, in final settlement of all matters in dispute between our companies and DSW. I emphasise that this is a firm offer capable of acceptance by DSW. It is now for DSW to decide whether or not to accept this offer, or to make their own offer in reply. In this connection I would like to mention the matter of costs. These are already large, and are mounting rapidly. Though our offer is a firm one, it inevitably will rise as more costs are incurred. You may think (as I do) that there is some wisdom in trying to achieve a settlement at this stage, before the costs rise to a level at which they become almost as important as the claims themselves.

- (5) I hope that we shall be able to arrange a meeting in due course, and that you and I will then be able to go some way towards resolving the differences between DSW and our companies.
 - (6) I have not referred in this letter to our companies' claims against Haskoning, because those are not claims with which you and your ministry are concerned, and they require separate consideration with Haskoning and its lawyers."
3. The points made in (A) and (B) in paragraph (3) are the two points which in my view must be made at this stage. As to (A) it would be a valid criticism of my draft that I have not sufficiently elaborated on the strength of Kaisers' position in the light of the Panel's work and the documents disclosed (or not disclosed) by DSW and Haskoning on discovery. I have tried to keep this part short, since I think that elaboration can take place at the meeting or meetings. But I would not be opposed to making some additions so as to strengthen (A).
 4. As to (B), I have already made my views clear. Settlement discussions should not proceed unless and until a firm offer by DSW or the Israeli Government to make a payment has been received. Otherwise Kaisers can only give the impression that they are begging for settlement, an impression which has already been conveyed in the recent discussions and which I seek to counteract by this letter.
 5. Paragraph (4) has given me the greatest difficulty. The figure of 18 million dollars was given to the Minister by Mr. Salomon at the end of last year informally, and apparently on the basis that he would recommend it to Kaisers. Earlier this year a further approach to the Minister on the basis of 18 million dollars was made by Mr. Salomon with Kaisers' approval (see Mr. Trefethen's letter to Mr. Salomon of 8th January 1971) and was supported by two documents intended to explain how the figure of 18 million dollars had been arrived at. In the face of these two approaches to the Minister on the basis of 18 million dollars there is obvious difficulty in now making a firm offer based on a higher figure. Nevertheless in my opinion 18 million dollars was too low, and ill advised as a first bargaining figure, and a higher figure should now be put forward. There is clearly the risk that by doing this Kaisers will lose credibility as regards settlement, and that settlement at this stage will become more difficult to achieve. My advice is that these risks should be run. For in the long term what is required is a firmer and more consistent approach to settlement, and a fresh start now will in the end be more likely to achieve a sensible settlement, than continuance of the present course.

6. In including paragraph (6) I have tried to distinguish between Haskoning and DSW and to emphasise to the Minister that a settlement can be achieved by DSW without involving Haskoning (subject always to any indemnity arrangements between DSW and Haskoning).
7. I have not referred in the draft letter to the losses suffered by Kaisers or the other two companies. I confirm my advice that as far as possible Kaisers should make no further reference to these. The references in the 'without prejudice memorandum' dated 30th November 1970 (which was handed by Mr. Oppenheim and Mr. Meyer to the Economic Minister at the Israeli Embassy on 3rd December 1970), and in particular in paragraph 15 and 16 thereof to the losses and the settlements with CAC and Macco should not be repeated.
8. Mr. Williams has informed me of the result of the meeting with Israeli Counsel on Sunday 28th March 1971. In my view a letter should be written by Mr. Kaiser to Mr. Salomon on the following lines:

"Dear Yaacov,

It was most helpful to meet with you and your colleagues in London, to discuss the latest developments in the disputes and to agree the right course of action.

I confirm what we agreed:

- (1) If the Minister indicates that he wishes to have a meeting I will agree to meet him
- (11) Whatever the Minister says about a meeting, I will send or hand a letter to him setting out our firm settlement position.
- (111) There will be no further discussion or approach on settlement by you or your colleagues until we decide that the time is again ripe.
- (1V) It is essential in our interests (to achieve victory at the trial or earlier settlement) to pursue the steps in the action as hard and as fast as possible.
- (V) You will be ensuring that the steps in the action are pursued in this way.

I am sure that with full cooperation from all your colleagues you will be able to make good progress towards an early trial"

RICHARD SOUTHWELL """:

DISTRIBUTION:

L. H. Oppenheim (2)
J. E. Hughes
P. C. Meyer
D. Hardy (4)

Re-typed from Telex

Received: W.R.S.

Re: DEAD SEA

Attached is a copy of Telex mentioned in the penultimate paragraph of Page two of my file memorandum of March 31, 1971.

April 1, 1971

MARCH, 1971

KAISER ENGINEERS
INTER-OFFICE MEMORANDUM

MAILED
CENTRAL FILES

Forger
Israel

TO Files
AT

DATE March 31, 1971

FROM W. R. Sproule

W. R. Sproule

COPIES TO

AT Oakland

JOB NO. 6494

SUBJECT LONDON DEAD SEA CONFERENCE OF 26 - 28 MARCH 1971

X
On March 11, 1971 Mr. Y. Salomon wrote a letter to Mr. Trefethen setting forth the results of his discussion of that date with Finance Minister Sapir, and indicated therein that he might soon need to meet with our management in order to decide on a future course of action. For that reason, at Mr. Kaiser's suggestion, Edgar Kaiser, David Hardy, Paul Meyer, Victor Tchelistcheff and I met with Salomon on 27th March in London. The preceding day, Mr. Kaiser, Dave and I had met with Max Williams, Richard Southwell and Howard Page to obtain their views on how best to proceed with the case. Finally, on 28th March, the Kaiser group met with Salomon, N. Lipschutz, J. Rotenstreich and Max Williams to review the decisions that had been reached in the earlier meeting with Salomon. Reported herein are the results of this series of meetings.

Southwell Meeting - March 26th

Mr. Kaiser opened the meeting by asking for Southwell's views on the Salomon/ Sapir discussions. Southwell responded by briefly reviewing the nature of our claims against DSW, and the probable chances of success in pursuing the litigation to its ultimate conclusion. It was Southwell's view that whereas in 1966 he believed we had only a small chance of material success in litigation and were litigating primarily from a defensive standpoint, he now felt that we could conceivably recover a substantial portion of our Quantum Meruit claim amount (\$27,226,464.) This result, however, required that the opinions of our Panel of Experts on the wrongful rejection of our core and cutoff work be accepted by the court, and also would require detailed and specific proofs of our factual data boring by boring. Even were we unsuccessful in establishing our right to Quantum Meruit, Southwell now felt that our alternate claim for damages for breach of contract might well succeed in our obtaining judgment for a substantial portion of the amounts claimed.

Richard then reviewed the history of Salomon's negotiations with Sapir since early 1968. To the extent that Southwell was aware of the details of these prior negotiations, he felt that too much emphasis had been placed on the size of our losses and that not enough emphasis had been placed on the merits of our claims. He felt that Salomon's recent discussions and certainly any future discussions with either Sapir or DSW would be hampered by Salomon's lack of familiarity with the facts, opinions, etc., pertinent to our claims. Southwell also felt that Lipschutz and Rotenstreich were similarly unfamiliar with the facts, etc., but to a lesser extent than Salomon.

To Files

March 31, 1971

Southwell wonders whether Salomon had received a firm offer from Sapir on March 11th, and considered it doubtful that at this time Salomon would be able to find anyone else connected with DSW ready to admit that DSW owed Kaiser any sums at all.

Mr. Kaiser asked Southwell whether he thought it would be easier for Sapir to settle the dispute outright than to agree to an arbitration. Southwell believed that it would be easier for Sapir to settle the case outright since DSW had successfully opposed our attempts to force an arbitration. It was Richard's view that Sapir could present the settlement to the Israeli public as a fait accompli necessitated by the importance of showing outside investors that they could receive fair treatment from the Israeli business community. In response to Mr. Kaiser's inquiry, Southwell said he would favor arbitration over litigation if Sapir agreed to such a move, and if the procedural steps already accomplished did not have to be repeated.

Southwell believed that a referral of the dispute to arbitration would not significantly delay the ultimate resolution of the case, particularly if the claims to be arbitrated generally parallel those put forth in our Tel Aviv action. On the subject of progress in the litigation, Richard pointed out that much of the preparatory work had now been finished, and that only the filing by DSW of their expected counter-claim could greatly impede the progress of the case. Richard stated that had he been the DSW Counsel he would have filed their counter-claim long ago, and the fact that it has not yet been filed is a sign of weakness on their part.

In closing, Mr. Kaiser asked Southwell whether George Woods, himself, or both of them should try to see Sapir to determine whether he had a genuine desire to settle the dispute. Richard felt that such a meeting was definitely in order, and that at such a meeting, if held in the near future, we should hand Sapir a letter presenting our views on what we think would be a fair settlement. Richard agreed to draft such a letter and transmit it by telex to Oakland before the end of this week. He would also draft a slightly different letter to be sent to Sapir in the event that he could not see Messrs. Kaiser or Woods until later in the year. Mr. Kaiser thought it would be useful for Woods to visit Southwell prior to any future meeting between Woods and Sapir.

Contact with George Woods

Later in the day, Mr. Kaiser phoned George Woods in New York to find out the details of Mr. Wood's discussions on March 26th with Alexandroni, the Israeli Economic Counsel in New York. Woods said that Alexandroni had been embarrassed to report that Sapir had not talked to him and to learn that he had not talked to Mr. Kaiser or Mr. Woods on his recent visit to the U.S.

To Files

March 31, 1971

Mr. Kaiser was advised that Alexandroni had therefore sent a telex that day to Sapir recommending that Sapir see Mr. Kaiser or Mr. Woods at a location outside of Israel. Alexandroni did not expect an answer from Sapir before the middle of this week.

Salomon Meeting - March 27th

On Saturday, March 27th, Mr. Kaiser, David Hardy, Paul Meyer, Victor Tchelistcheff and I met with Mr. Salomon to discuss the negotiations with Sapir. Salomon made the point that he had reported his visit with Mr. Ben Yehuda of DSW to Sapir and that Sapir had advised Salomon that Ben Yehuda would be directed by Sapir to give Salomon a figure representing the amount that DSW admittedly owed CAKM. Salomon believes Ben Yehuda, on instructions, might come up with a figure between zero and five million dollars which, when added to the three to five million mentioned by Sapir, would total out at three to ten million dollars. Salomon thought it likely that the first DSW offer would be inadequate, and that he should then talk with Minister of Justice Shapiro and ask either Shapiro or the "committee" advising Levin to review the figure put forth by DSW. Apparently, he had already talked to Shapiro about this possibility and felt that Shapiro might agree to such a move since he had been the only other party in the Israeli government that had previously expressed an interest in settling the dispute out of court.

At this point, Mr. Kaiser disclosed that he had been asked by George Woods to keep the lawyers out of the discussions with Sapir until such time as it is determined whether Sapir still wishes to have direct discussions with Messrs. Woods and/or Kaiser. Mr. Salomon was directed not to initiate further discussions with Sapir or Shapiro, and in the event that Sapir or Ben Yehuda gave Salomon an "admitted" figure this should be reported to Oakland whereupon Salomon would be given further instructions if necessary.

Mr. Salomon was not told that we might seek Sapir's agreement to arbitrate the dispute before an independent tribunal such as the International Center for Settlement of Investment Disputes.

Salomon discussed his idea that we could provide Sapir with a figure that DSW "admittedly" owed us based on the "Column A" figures presented by Lipschutz to Levin in 1969. The "Column A" figure of roughly five million dollars plus equipment salvage of about three million dollars plus the five million dollars that Sapir might add would bring the total recovery to about 13 million dollars. Salomon was advised that this approach amounted to nothing more than a further discounting of our Tel Aviv claim prior to receiving anything like a firm offer from the other side, and that such an approach was unacceptable. Salomon advised that Mr. Lipschutz was also opposed to this approach.

To Files

March 31, 1971

Mr. Kaiser also mentioned that Walter Rosenblith had been contacted by an Israeli who stated that Mr. Ben Yehuda would like to see Mr. Kaiser --- while currently visiting the states this week? Mr. Kaiser didn't know why Ben Yehuda wanted to see him, and said that he planned to discuss the matter with Mr. Rosenblith on his return.

Meeting of March 28th

Salomon, Lipschutz, Rotenstreich and Max Williams met with the full Kaiser group on March 28th so that the other two Israeli Counsel and Max Williams could be brought up to date on the discussions with Salomon.

Mr. Kaiser opened the meeting by outlining the purpose of his visit to London, and then reviewed the substance of our conversation with Salomon on the preceding day. At this point Salomon expressed some reservations about the prospect of Mr. Kaiser seeing Sapir, based largely on the feeling that Sapir would not see Mr. Kaiser until he was able to obtain an "admitted" figure from DSW, and should that figure be too low, we would lose our last opportunity to settle the case until after the national elections next year.

Salomon thought it would be best to wait and see what Ben Yehuda develops as an admitted figure. If that figure was too low, Salomon thought he should then see Shapiro and ask him to review it. Salomon thought that Shapiro could then be instrumental in setting up a meeting between Sapir and Mr. Kaiser at which time Sapir would presumably have a higher figure to propose than one based on Ben Yehuda's assessment of our claim. Mr. Kaiser was not prepared to accept this recommendation.

Dr. Joshua Rotenstreich felt that Sapir undoubtedly wanted to settle the dispute and confirmed Salomon's view that only Sapir or Shapiro were likely to be instrumental in achieving such a settlement. He felt that Ben Yehuda and Vardi (Director General of Ministry of Development) were too strongly influenced by those within DSW (including Levin) who were unalterably opposed to a settlement. Joshua did not agree with Salomon that the settlement opportunity would be lost for a considerable period if Mr. Kaiser and Sapir could not agree on a compromise figure at their first meeting. He felt that there might be as many as two or three meetings between Mr. Kaiser and Sapir before a compromise was reached. Joshua also believed that Sapir could be ready to see Mr. Kaiser within a few weeks.

Max Williams felt that in connection with any attempt to compromise we should definitely emphasize our stronger claims, i.e., those relating to wrongful rejection of our core and cutoff and to the effects of dike settlement.

At this point in the meeting Mr. Lipschutz was invited to review the status of our litigation and his 1969 settlement discussions with Levin. As to the latter point, he recalled the Oakland meeting of August 1969 where Mr. Kaiser

To Files

March 31, 1971

and Mr. Trefethen had mentioned an amount of 13 to 14 million dollars as their minimum settlement figure. On his return to Israel from that Oakland meeting Lipschutz had tried to resume the earlier discussions with Levin, but found that Levin was not authorized by DSW to further discuss settlement amounts.

Lipschutz said that since that time we had successfully opposed the DSW attempt to transfer our action to the Beersheba courts, had obtained a court order entitling us to inspect the Dutch core rejection test records, had begun inspection of the DSW documents produced for discovery, and had been largely successful in defeating the DSW motion to strike out important points in our Statement of Claim and Reply. These factors, coupled with the technical opinions of our Panel of Experts, made Lipschutz feel quite optimistic about the strength of our case and the ultimate chances of success in the litigation. Assuming that we might obtain a reasonably satisfactory judgement at the end of litigation, Lipschutz thought that a fair settlement amount now might be on the order of 12 to 13 million dollars after giving effect to the uncertainties and costs of litigation.

Both Paul Meyer and Max Williams felt that settlement discussions should be carried out on the basis of our claims in the Tel Aviv action. Paul did not think, however, that we could now increase the 18 million dollar compromise figure that Salomon had discussed with Sapir since that would undoubtedly have the effect of terminating any further discussions with Sapir.

The writer and Dave Hardy expressed the view that we must somehow reveal the weakness of the DSW technical position if we are ever to receive an acceptable compromise figure from DSW/Sapir. It was our view that we must first find an objective forum, i.e., one unaffected by the Levin/Haskoning prejudices, and then present the merits of our technical case without unduly prejudicing our trial lawyers by revealing more than we should. The writer expressed the view that there is certain unassailable evidence regarding wrongful rejection, etc., that could be presented by reference to existing Haskoning/DSW documents. It would be a matter of legal judgment as to how much of that information and the information developed by and for our Panel might safely be presented to such a forum.

Despite Salomon's doubts about the merits of an early Sapir/Kaiser meeting it is believed that he now understands his client's instructions better and hopefully will avoid conduct which could prejudice such discussions.

WRS/me

UNDER SECRETARY
 CENTRAL FILES
Freight
Israel
 3/31/71

Solomon's Recommended Settlement

1.	Trust Account Assets	1,546,283	
2.	Retained Funds	2,034,194	
3.	Est. Salvage of Plant, Equip. & Inv.	1,654,000	
4.	Accounts Receivable on Certified Quantities	297,760	
5.	Promissory Note Receivable	500,000	
6.	Demobilization Entitlement	1,434,160	
7.	Inventory Usage by DSW	3,170,155	
8.	Plant & Equipment Usage by DSW	1,633,045	
	Sub-Total	12,269,597	
9.	Disputed amounts for materials placed and work in dikes:		
a.	Dike settlement and founda- tion failure	7,948,000	
b.	Clay and basic cost fluctua- tion	1,326,050	
c.	Clay core settlement quanti- ties, errors in protection stone measurements, excess core excavation due to dike settlement and foundation failure, repair of wrongfully rejected dike 3.5 clay core	1,351,623	
d.	Additional rate for clay back fill and more onerous cut-off excavation related to settle- ment and foundation failure, and additional basic cost fluctuations	700,374	11,326,047
	Recommended Compromise Settlement		23,595,644
	Items 1 - 8	12,269,597	
	50% of Item 9	5,663,023	
		17,932,620	
	Say	18,000,000	

Analysis based on CAC, Macco, Kaiser Settlement Agreements

Loss per Project Books 3/31/71 \$ 29,873,000

Balance Sheet Assets 3/31/71 \$ 9,559,661

Less Readily Realizable Assets:

Cash & Receivables held

in Trust

\$ 1,545,750

Est. Salvage from

Plant, Eq. & Inv.

1,200,000

2,745,750

Recovery required as of

\$ 6,813,911

6,813,911

3/31/71 on Assets other than

Trust & Salvage items to

maintain Project Book Loss

@ \$29,873,000

Interest on Kaiser Advances

4,964,000

Sub Total

\$ 41,650,911

Estimated Additional Costs 3/31/71-6/30/71

900,000

Total Estimated Loss @ 6/30/71 prior to Claims Recovery

42,550,991

Less Distributed by J. V. Settlement Agreements:

CAC (60%)

\$ 15,000,000

Macco (20%)

5,000,000

Kaiser (20%)

5,000,000

25,000,000

Kaiser Claims Recovery required to limit Kaiser loss to its
Pro-Rata share of Loss distributed by J. V. Settlement
Agreements

\$ 17,550,911

*Saw cut spares -
value - for no payment*

Sequest money is ours

+ remain under of our equity.

Amounts due under the contract as to which there can be no controversy and as to which KE is entitled to be paid (or receive a credit for in any accounting)

Retention:	\$ 1,941,803
Demobilization:	1,440,000
Equipment Sale	
Proceeds (Trust Acct.)	1,546,483
Jan/Feb. 1966 Revenue	299,000
Zurich 1st. Promis-	
sory Note	500,000
	5,727,286

Future Salvage - Equip-	
ment & Inventory	1,200,000
	\$6,927,286

Following is the investment and equity in Dead Sea Project (per Balance Sheet 3/31/71)

	<u>Investment</u>	<u>Project Loss</u>	<u>Net Assets</u>
Kaiser	19,300,497	(9,873,005)	
Macco	5,000,000	(5,000,000)	
C.A.C.	15,000,000	(15,000,000)	
	39,300,497	(29,873,005)	9,427,492

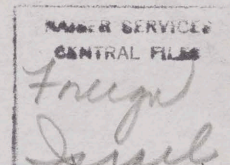
"Net Assets" are represented on KIC balance sheet as follows:

	Current Assets	\$ 555,236
	Inventory	2,140,413
	Plant & Equipment	1,459,020
		<u>4,154,669</u>
Claims	Retention	2,034,194
against	Accounts Receivable	297,760
DSW	Note Receivable	500,000
	Loss on Property Sales	1,152,738
	Other	(125,450)
		<u>3,859,242</u>
	Assets held in trust -	
	Cash & Receivables	1,545,750
		<u>9,559,661</u>
	Less 132,169	
	Current Liabilities	<u><u>9,427,492</u></u>

In order for Kaiser to have same loss as Macco it would need to receive

4,873,005 - balance loss above \$5,000,000
1,545,750 - Trust Assets
1,200,000 - Estimated future salvage
6,681,742 - Balance of "Assets"
<u>\$ 14,300,497</u>
- <u>2,745,750</u>
<u><u>11,554,747</u></u> Payment from DSW

Above figures are at 3/31/71



3/30/71

March 30, 1971

Dear Val:

This note on my return to send you the newspaper clippings from the Jerusalem Post, which you may already have seen. However, as I mentioned on the telephone, the purpose of my two-day visit was to meet with British and Israeli counsel for the purpose of discussing our Dead Sea claims as a result of our work on the dikes. One of our people from the Tel-Aviv office brought the clippings along; thus my telephone call to inquire if there were any comments.

Perhaps I neglected to tell you that Finance Minister Sapir has initiated discussions for settlement. We have been in court for over three years and, as you know, the courts move slowly. We are quite encouraged because the technical information which we have secured, both from our independent panel of experts and substantiated by months of borings and drillings proves without any doubt that the core we built in those dikes not only met the specifications, but was more than adequate to perform the service for which it was intended. Unfortunately for Israel, the Dead Sea Works' technical people, including their Dutch engineers, recommended removal of much of the core that we had already placed. They did this with their own forces, and it was a complete waste of money--and we are talking about millions of dollars. It is really unfortunate for a country struggling as hard as Israel is. I personally put the responsibility primarily on the Dutch engineers. They were endeavoring to justify their rejection of our core. Discovery, as a result of these court proceedings, has turned up some records from the Dutch showing that they really did not know what they were doing--and it is admitted in black and white.

At this point, we assume that the reason for Sapir's initiating discussions for settlement are based upon their

knowledge that they have a very weak position. Our claims total some \$36 million. The losses on the job total about \$43 million, so you can see the magnitude of the problem.

Sorry to have disturbed you Saturday afternoon, especially after your long trip, but did appreciate talking to you.

Warm regards.

Sincerely,

Edgar F. Kaiser

Sir Val Duncan
The Rio Tinto-Zinc Corporation, Ltd.
6 St. James Square
London, S. W. 1, England

Enclosures

cc: Mr. E. E. Trefethen, Jr.

Kaiser Services
CENTRAL FILES
*Foreign
Serial*
3/29/71

March 29, 1971

Mr. George D. Woods
277 Park Avenue
New York, N. Y. 10017

Dear George:

3/26/71
First Boston's London office delivered the message to Claridges regarding your conversation with Alexandroni. In addition to this, a young man (at least, he sounded like a young man) called and verified that I had the message. If you could please find out his name, I would like to drop him a note and thank him for the good service.

Sincerely,

Edgar F. Kaiser

EFK:m

3/26/71

'71 MAR 26 18 15

CLARIDGES.

PLEASE DELIVER FOLLOWING MESSAGE IMMEDIATELY TO MR.
EDGAR KAISER

" I HAVE TALKED TO ALEXDRONY.

1) SAPIR CAME THROUGH NEW YORK IN JANUARY BUT
DIDNT GO TO CALIFORNIA BUT DOES NOT KNOW WHY S
DID NOT COMMUNICATE WITH YOU OR ME BY TELEPHONE IN VIEW OF
NOVEMBER CONVERSATION WHICH CONTEMPLATED MEETING IN LATTER
PART OF JANUARY.

2) A IS CABLING S SAYING THAT I BELIEVE IT WOULD BE WORTH
WHILE TO PROCEED ALONG LINES OF LAST NOVEMBER CONVERSATION
WHICH CONTEMPLATED MEETING BETWEEN YOU AND S.

3) A SAYS HE WILL COME BACK
WITH SOME RESPONSE NEXT WEEK. REGARDS."

GEORGE WOODS ++

--THE FIRST BOSTON CORPORATION LONDON--

TRANSLATION FROM HEBREW

K/170/110/3487

Haifa, 23rd March, 1970.

Advocate A. Levin
20 Yehuda Halevy Street
TEL AVIV.

WITHOUT PREJUDICE

Dear Avraham,

When we met on Friday and you asked me about the continuation of the discussions which we opened after the appearance on 10/6/69 before the Chief Justice and as a result of his remark that discussions between us are desirable, I replied that I had waited for a communication from you. I think I would do well to reduce the things to writing (though of course without prejudice as above stated) in order to avoid any possibility of misunderstanding.

2. When we met on 20/7/69 and I gave you a list containing three columns, you asked me whether I think that my clients would be ready to settle amicably on the basis of column A and the equipment, I replied to you that I am not authorised to reply and I have to receive instructions and you said to me that you also have not received instructions and are not authorised to make any proposal.

3. We met again on 28.8.69 and at this meeting I said to you that in fact column A in the list includes only sums in respect of which your clients have no reason not to pay, because the quantities are admitted by them and the price is the basic price without any additional rate, and that in respect of the claims contained in columns B and C, we have to sit and to come to an understanding. Next day, I wrote a report of the conversation between us by which I am assisted now. I remember that I began setting out some of these claims. Your final answer was that you were busy until now in the preparation of the defence and therefore you could not check the correctness of the figures mentioned in the list I gave to you. You also added that you did arrange to meet the Dutch Engineers in the previous week but that they had travelled to an International Congress for Soil Engineering at Mexico and consequently you will meet them abroad only in a week or two, and then you will be able to check the figures in my list and consider the things which I said and then you will contact me.

4. As you know I have not received any communication from you for nearly seven months beginning on that date and until our meeting on the 20th inst., at which you asked about the continuation of the discussions.

5. I would like to reduce to writing what I understood from your words on Friday. Your suggestion was that the disputes between the parties will be settled on the basis of the suggestion of the Chief Justice that is to say: what happened was an act of God (this was the expression you used). The result as I set out to you on Friday is: the plaintiff waives the payment of quantum meruit, whilst the defendant does not lodge a counterclaim, the defendant pays to the plaintiff for work done. In fact, you suggested that my clients should receive the equipment and to the extent to which it had been sold - its proceeds and in addition the sum of column A i.e. \$5,598,001 in settlement of

RECEIVED
Foreign
Israel
C7K
3/23/70

of all their claims and did not mention the other claims.

6. I request you to inform me as early as possible:

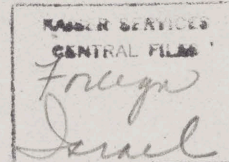
- (a) Whether I have understood you correctly - and if I should have made a mistake, what is your suggestion;
- (b) What is your reply to my suggestion that both parties should sit together and deal with the claims outside column A, in order to settle each separately in the light of the material which is known to both of us.

It seems to me that if there is a chance of settlement, we shall come nearer it in this manner and for this reason I shall be grateful to you if you will let me have your answer as early as possible.

With regards,

Yours sincerely,

N. Lipschutz.



3/22/71

March 22, 1971

Memorandum To: Mr. George D. Woods

3/18/71

In connection with the Dead Sea matter, I am attaching herewith a memo from David Hardy, who is now Counsel for Kaiser Steel, but was Assistant Counsel for Kaiser Industries at the time of the Dead Sea original negotiations and during construction operations.

Mr. Southwell is a senior partner of a British firm of lawyers whom we retained several years ago when we found that Solomon's office was very weak in preparing the facts.

Our experience with this British firm has been excellent. They are good people and as far as lawyers go, I consider them first-class.

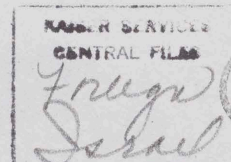
This doesn't mean I don't think we should settle the matter because I do--it's just a part of the "literature" that goes with the case.

Sincerely,

Edgar F. Kaiser

Mr. George D. Woods
The First Boston Corporation
277 Park Avenue
New York, New York 10017

**KAISER
STEEL**



MEMO TO:

Edgar F. Kaiser
P. C. Meyer
L. H. Oppenheim
E. E. Trefethen, Jr.

DATE: March 19, 1971

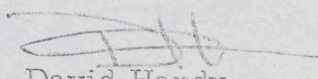
RECEIVED

MAR 19 1971

COPIES TO:

James K. Parker
W. R. Sproule

EDGAR F. KAISER
OAKLAND

FROM: 
David Hardy

AT:

SUBJECT:

Subsequent to my memorandum of yesterday respecting current Dead Sea matters I had a long telephone conversation with Yaacov Salomon last night.

Salomon elaborated on his meeting with Ben Yehuda which I reported on yesterday and stated that Ben Yehuda advised that he would not furnish Minister Sapir any kind of a statement of what is "admittedly owed" by DSW to us unless ordered to by the Minister. Salomon then apparently passed this on to Minister Sapir orally by telephone and believes that Sapir will request Ben Yehuda to furnish such a statement.

Salomon is concerned that the statement so furnished by Ben Yehuda will be inadequate from our standpoint--a surmise with which I agree completely --and, accordingly, thinks that he, Salomon, should furnish Mr. Sapir with our written list of what we consider the amounts admittedly owed. Such a list would be so prepared by us to come out at say \$8,000,000, which, with the addition of another \$5,000,000, would total \$13,000,000, and Salomon then states he has something in mind at an appropriate time to bridge the difference between such \$13,000,000 and the \$18,000,000 we have advised we would accept.

Salomon states that Naphtali Lipschutz is unalterably opposed to furnishing such a list to Minister Sapir at this time and he therefore wanted us to resolve the difference of opinion between the two counsel, letting him know by tonight. I told Salomon that there was very little chance that we could give him an answer before next week and that, accordingly, he should let me have his European schedule so that I could run him down and give him an answer.

Salomon considers that if we are going to furnish Mr. Sapir such a list, a certain amount of haste is essential in that it is his belief that DSW is about to file its counterclaim and that once having paid the substantial

sums involved in such filing, attitudes will stiffen and any possibility of compromise will be postponed into the future. He apparently hopes that if he furnishes Mr. Sapir with a written list, he, Sapir, in his usual arbitrary manner would not get into the merits of the items on the list but would instead treat our list as if it were incontrovertible.

I have grave doubts as to furnishing Mr. Sapir with another list which comes in at \$7 or \$8 million in view of the history of the situation. We have filed a statement of claim for \$36 million plus interest, etc. Without any real counter-offer from the other side, we have unilaterally cut our price to \$18 million, and we are now going to turn in a piece of paper which indicates that we are in the market at something substantially under that \$18 million. If I were the other side, I would find it interesting to wait to see what further in the way of price cuts would pop up.

On the other hand and in fairness to Salomon, there is a dialogue now going on and it is not unreasonable to assume that once the counterclaim is filed, some substantial period of time might elapse before the discussions could be gotten under way again.

Although it is our best legal judgment that we will have some further warning before the counterclaim is filed, I think we should decide at a fairly early date what answer to furnish Mr. Salomon and what further course of action to follow thereafter.

DH:mcs

**KAISER
STEEL**

RECEIVED

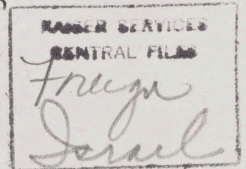
MAR 19 1971



EDGAR F. KAISER
OAKLAND

MEMO TO: Edgar F. Kaiser ✓
L. H. Oppenheim
E. E. Trefethen, Jr.

DATE: March 18, 1971



COPIES TO:

P. C. Meyer
W. R. Sproule

FROM: David Hardy

AT:

SUBJECT:

2/1/71

Some weeks ago Richard Southwell wrote an opinion respecting the conduct of settlement negotiations in Israel which was not forwarded to us at the time on the basis that it was moot in that we had already authorized Yaacov Salomon to enter into discussions on the basis which we all know.

Having now seen the opinion, I think that Mr. Southwell makes a number of points which should be considered. Three, in particular, are interesting: first, that it is unwise to approach settlement on the basis of our losses and that we should make repeated emphasis on the legal merits of our claims and the support which they receive in the documents and from our technical work; secondly, that settlement discussions should be conducted by someone with full knowledge of the details of the legal and factual issues, "of the documents and the extent to which the documents support or undermine either side's case;" thirdly, that Messrs. Lipschutz and Rotenstreich should now be asked to prepare written settlement guidelines which can be discussed and then hammered into shape.

If we were to follow this last suggestion, there is much merit in having those settlement guidelines prepared by Lipschutz and Rotenstreich jointly with the Williams/Southwell group.

DH:mcs

UNION
STEEL

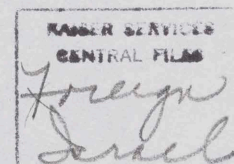
MAR 19 1971



EDGAR F. KAISER
OAKLAND

MEMO TO: E. E. Trefethen, Jr.

DATE: March 18, 1971



COPIES TO: Edgar F. Kaiser ✓
P. C. Meyer
L. H. Oppenheim
W. R. Sproule

FROM: David Hardy

AT:

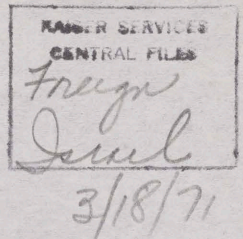
SUBJECT:

Pursuant to your instructions I have telexed Victor Tchelistcheff to advise Yaacov Salomon that all of us here agree that he should not speak to Abraham Levin pending further discussions.

As I advised you, at my request Bill Sproule had previously spoken on the phone to Victor Tchelistcheff this morning, who advised that in lieu of the proposed meeting with Mr. Vardi referred to in Salomon's letter, Salomon had a brief meeting with Mr. Ben Yehuda, the Managing Director of the Inorganiz Division of Israel Chemical Industries, i. e., the Dead Sea Works, and that Mr. Ben Yehuda felt that Salomon should not see Vardi but instead should see Mr. Shapiro, the Minister of Justice. (Shapiro heads the ad hoc "legal committee" of government officials which has been set up to study and/or watch and/or supervise our Dead Sea litigation.)

Salomon accordingly is proposing to have a meeting with Shapiro prior to his departure to Zurich on Tuesday and will be writing us the results from Zurich.

DH:mcs



March 18, 1971

Dear George:

3/11/71
X
Attached is a letter dated 11 March from Salomon and a copy of his letter of the same date to Gene. I believe we have sent you copies of our recent letters, but for your convenience there are attached the several letters from Gene and me, respectively, setting forth our views on the settlement and confirming that we would back him up on an \$18 million settlement.

Subsequent to the receipt of this letter we have learned that Salomon met, not with Vardi (from the Ministry of Development), but with Mr. Ben Yehuda, the Managing Director of the Inorganic Division of Israel Chemical Industries (the successor to the Dead Sea Works). Ben Yehuda apparently told Salomon that there was no point in talking to Vardi at this time and that, instead, he, Salomon, should talk to Mr. Shapiro, the Minister of Justice, who heads an ad hoc committee of government officials which has been formed to study, review and/or advise with respect to the Dead Sea litigation. Salomon proposes to do this prior to leaving for Europe next Tuesday, and in the meantime we have advised Salomon that we do not think he should have discussions with Levin, the Dead Sea Works' attorney, until we have heard Salomon's report of his discussions with Shapiro and, further, until Salomon has talked with Lipschutz and Rotenstreich.

It looks to me from first study of the letter and the current information as if Salomon needs some direction. Based on my discussions with our counsel, I think they feel that the attorneys for the Dead Sea, headed by Levin, are

A large, stylized red handwritten mark, possibly a signature or initials, located in the bottom right corner of the page.

on a course of doing everything possible to stall the thing as long as they can. The counterclaim, which undoubtedly will be filed shortly, will, as indicated by Salomon, probably be an enormous figure that might even offset our claims, and in any event will be \$15-\$20 million--the real point being, however, that every effort will be made to drag this thing out as long as possible.

I doubt whether we should wait until Sapir comes over again, and my immediate reaction is to meet in Europe (not in Israel) with Salomon and some of his people, such as Lipschutz and Rotenstreich (the two counsel who have been working with him), together with several of our people and agree on a plan of action.

One suggestion which has been made is that we should have our Israeli trial counsel draw up "settlement guidelines" which put more emphasis on the technical and factual strength of our case and less on the issue of our losses, and that further settlement discussions should be conducted by one or more of our Israeli counsel who have more detailed knowledge of the case than Salomon does. This suggestion may or may not have merit, but in any event it does not go to the heart of the matter--that is, finding out directly what Sapir's interests really are and to what extent he sincerely wishes to follow up along the lines he indicated to you. If you have any suggestions on this point, I certainly would appreciate hearing from you.

New subject: The Symposium started this morning and is going very well. An excellent group of people. Our friend, Florence, is most impressed and having the time of her life, as you thought she would. At this five minutes, she is insistent that the Kaiser Health Plan take on the entire responsibility for the whole country--and I think she means it! I must say I'm dragging my heels a little on that one.

Regards.

Sincerely,

Edgar F. Kaiser

Mr. George D. Woods
The First Boston Corporation
20 Exchange Place
New York, New York 10005

bcc: E. E. Trefethen, Jr.
David Hardy
P. C. Meyer
L. H. Oppenheim
J. K. Parker

RECEIVED

MAR 12 1971

J. E. Hughes

March 11, 1971 EDGAR F. KAISER
OAKLAND

Edgar F. Kaiser ✓
P. C. Meyer
L. H. Oppenheim
E. E. Trefethen, Jr.

David Hardy

KAISER SERVICES
CENTRAL FILES

Johnson - Israel

I am dilatory in not having previously written you this note at the time when J. Warren Evans was transferred from working on the Dead Sea Project here to the new project in Cincinnati.

The dedicated service of the small group of Kaiser Engineers people who have been working almost full time on the Dead Sea matter for what is now more than half a decade will be the major contribution to the ultimate success of this venture.

Warren's work was meticulous and punctilious at all times and certainly was one of the most thankless of all the jobs. If you have a place in people's employment files for letters of commendation or the like, I would hope that my views could be permanently placed therein.

DH:mcs

James D. ...
David ...

General- Personnel
Foreign- Israel

Yaacov Salomon
Naphtali Lipschütz
Moshe Ben-Peretz
Benjamin Glowinsky
Ben-Zion Seraya

Shmuel Behar
Jack Levinson
Alexander Samuel
Moshe Lipschütz
Joseph Gillor
Joseph Sadeh
Yadin Machness
Amnon Shibolet
Michael Fox
Amos Avni

יעקב סלומון ליפשיץ ושות'
עורכי-דין ונוטריונים
YAACOV SALOMON, LIPSCHÜTZ & Co.
Advocates & Notaries

RECEIVED

MAR 17 1971

EDGAR F. KAISER
OAKLAND

HAIFA: Yoel House, Hameginim Ave. 64
P. O. B. 303 Tel. 535231
Telegr. Address: „CLIENT" HAIFA
Telex: 816 Haifa

TEL-AVIV: 1, King David Avenue
P. O. B. 16138 Tel.: 262126
Telegr. Address: „SALIPAD" TEL-AVIV

חיפה: בית יואל, שד' המגנים 64
ת.ד. 303 טל. 535231
כתובת טלגרפית: „קלינט" חיפה
טלקס: 816 חיפה

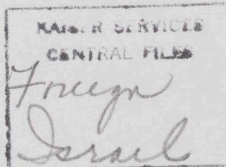
תל-אביב: שדרות המלך דוד 1
ת.ד. 16138 טלפונים: 262126
כתובת טלגרפית: „סליפעד" תל-אביב

Our. Ref. K/170/2/2601. מספרנו:

Haifa, 11th March, 1971.

יעקב סלומון
נפתלי ליפשיץ
משה בן-פרץ
בנימין גלובינסקי
בן-ציון שריה

שמואל בכר
יצחק לוינסון
אלכסנדר סמואל
משה ליפשיץ
יוסף גילאור
יוסף שדה
ידיו מכנס
אמנון שבלת
מיכאל פוקס
עמוס אבני



3/11/71

cc
to Hays
to K. Farkner
to H. Oppenheimer
not em
Mr. Edgar Kaiser
Chairman
Kaiser Industries Corporation
Kaiser Center
OAKLAND, CALIFORNIA 94604,
U. S. A.

My dear Edgar,

3/11/71
Herewith copy of my letter of today's date to Gene.

Minister Sapir's approach may irritate you. I hope it does not. He is somewhat reluctant to be mixed up in this matter. There is some reason, may be his personal respect and considerations for you which prompts him to do something; something which he would otherwise not want to do or settle.

I feel therefore that we must find out as soon as possible what is the maximum Sapir is prepared to recommend by way of settlement, at least at this stage, before we can discuss with you, Gene, Lou and possibly with others how we go on from there. This should bring us to about late in April or early in May, in view of the intervening holidays.

Keep well.

Sincerely,

Yaacov
YAACOV SALOMON

Encl:
YS/nj.

יעקב סלומון ליפשיץ ושות'ו

עורכי דין ונוטריונים

YAACOV SALOMON, LIPSCHÜTZ & Co.

Advocates & Notaries

Yaacov Salomon
Naphtali Lipschütz
Moshe Ben-Peretz
Benjamin Glowinsky
Ben-Zion Seraya

Shmuel Behar
Jack Levinson
Alexander Samuel
Moshe Lipschütz
Joseph Gillor
Joseph Sadeh
Yadin Machness
Amnon Shibolet
Michael Fox
Amos Avni

HAIFA: Yoel House, Hameginim Ave. 64
P. O. B. 303 Tel. 535231
Telegr. Address: „CLIENT“ HAIFA
Telex: 816 Haifa

TEL-AVIV: 1, King David Avenue
P. O. B. 16138 Tel.: 262126
Telegr. Address: „SALIPAD“ TEL-AVIV

חיפה: בית יואל, שד' המגנים 64
ת.ד. 303 טל. 535231
כתובת טלגרפית: „קלינט“ חיפה
טלקס: 816 חיפה

תל-אביב: שדרות המלך דוד 1
ת.ד. 16138 טלפונים: 262126
כתובת טלגרפית: „סליפעד“ תל-אביב

Our Ref. K/170/2/2598 מספרנו

Haifa, 11th March, 1971.

Mr. Eugene Trefethen
Kaiser Industries Corporation
Kaiser Center
OAKLAND, CALIF. 94604
U. S. A.

Dear Gene,

I met Minister Sapir early this morning at his office in Tel Aviv. I cannot say that I am particularly pleased with the meeting.

I shall summarise things more or less the way the meeting went on.

I first reminded the Minister that this meeting follows our earlier talks, when I told him that I would be prepared to recommend to Kaiser's to settle all outstanding differences with DSW for \$18 million. I indicated that Kaisers did not consider the amount suggested satisfactory, but neither was the Minister prepared to accept it, so that there was in fact place for an explanation by me to him as to how I arrived at the figure of \$18 million, and why its acceptance by the Minister could be justified.

I then wanted to show Minister Sapir the two documents which we prepared, copies of which are already with you, but are enclosed for easy reference.

The Minister would have nothing to do with examining papers. He stated and kept on saying that he wants to know what the other side (meaning DSW) admits as due and he was prepared to pay a certain additional amount on top of the admitted figure. He would not go into details to ascertain if what I claimed as admitted figures are in fact admitted or to be admitted.

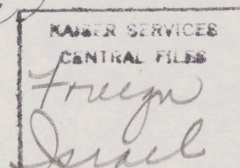
I continued to press the Minister to see the figures which we claim are admitted and hear my explanations. He resisted.

I managed to mention items 1, 2, 3 and 4 of the list, which I said can clearly be considered as cash due, making a total of about \$5 million and wanted to go on explaining items 5, 6, 7 and 8. He again resisted, but listened when I repeated my explanation of items 1, 2, 3 and 4, and made a note of the details, saying that if the other side admits these figures as due, then "this is your money and I want to know what you want on top of it". The Minister added: "I am ready to give you \$3 or 4 million above what DSW says is undisputedly due to you".

יעקב סלומון
נפתלי ליפשיץ
משה בן-פרץ
בנימין גלובינסקי
בן-ציון שריה

שמואל בכר
יצחק לוינסון
אלכסנדר סמואל
משה ליפשיץ
יוסף גילאור
יוסף שדה
ידין מכנס
אמנון שבלת
מיכאל פוקס
עמוס אבני

*Copies
E.F.K.
D. Hardy
L. Offenheims
P. Meyer*



3/11/71

to:

Mr. E. Trefethen.

אל:

Page: - 2 - דף:

I then tried to draw him again to items 5, 6, 7 & 8 by saying that these too are admitted items, but my efforts were fruitless. The Minister repeated again and again "go and settle what is in fact due to you and then come back to me. I will then meet with Minister Gvati and will recommend that he gives you 3 or 4 million dollars in addition. When I said may be 5 million dollars, he did not resist, so that we might consider that he would recommend to Minister Gvati \$5 million above what the other side is at present prepared to say as admittedly due.

When I asked with whom am I to discuss the details and come to an agreement as to what is actually admitted, the Minister mentioned Mr. Vardi, the present Director General of the Ministry of Development.

As far as I know, Mr. Vardi is not inclined towards any settlement. Nonetheless, I shall have to meet with him in order to see whether any headway can be made. Whilst we maintain that items 5-8 shall also be considered as admitted, in which we reach together with \$5 million, somewhere near \$17 million, it is more than doubtful, knowing what is at present happening behind the scene at DSW, when after the passing of Meir Ilan, opinion is stiffening against any settlement with Kaiser's.

It is clear that the Minister will support payment of \$5 million above what we can produce as an agreed figure. I should add that amongst other things said by the Minister when I stated in respect of items 1, 2, 3 and 4 that they are about \$5 million, he stated that according to his information the admitted figure is less than this amount.

My impression is that Minister Sapir had in mind a total not exceeding \$10 million.

I must confess that I am a little in doubt how to proceed next. The Minister indicated that I should have a talk with Mr. Vardi. As stated above, Mr. Vardi and his advisers would be hostile to any settlement especially now when Levin and his lawyer friends are more or less ready to submit their counterclaim, which I expect will also be in many millions of dollars.

To agree to any admitted figures or mention any admitted figures would probably be in a sense an admission which contradicts belief in the counterclaim.

As far as Levin is concerned it will be remembered that in June/July 1969 when matters were pending before the Chief Justice in connection with the change of venue, there was some talk about a proposed settlement. In his letter of 21st July 1969 to Dave Hardy, Naphtali Lipschutz stated that his own impression is that DSW were ready to settle the case but are far from ready to evaluate our claims reasonably. Reference was then made to our column A of \$5.5 million "is as far as they can be expected to advance and that DSW or Levin would not go beyond the column A as basis for a negotiation but would insist on a deduction from it for not counterclaiming probably regarding a settlement on the basis of \$5.5 million allowing us to receive a total equipment sale price and waiving a counterclaim as the last retreat". Column A which referred to contractual quantity at basic contractual rate was as follows:-

to:

Mr. E. Trefethen.

אל:

Page: - 3 - :דף

Item	A Contractual Quantity at Basic Contractual Rate
1. Pervious Fill	131,745
2. Clay backfill (core and cut-off)	345,290
3. Core excavation	-
4. Cut-off Excavation	131,353
5. Filter Layers	272,660
6. Protection Stone	652,048
7. Basic Cost Fluctuation	183,102
8. Retention	1,941,803
9. Demobilisation	1,440,000
10. Promissory Note No.1	500,000
11. Repairs to Dike 3.5	
Total:	5,598,001 =====

If as was assumed that the proceeds of the sale of equipment etc. would be around \$3 million, Lipschutz was under the impression that Levin might have recommended a settlement at \$8.5 million or thereabouts.

If Levin would at the present stage be prepared to accept Schedule A plus the proceeds of the sale of the equipment and the balance of unsold equipment as admitted or as his recommendation, then we would not be in a bad position when we come back to Sapir as we might reach \$13.5 million (together with Sapir's \$5 million), thereby narrowing the difference between Kaiser's minimum and Sapir's maximum. However, it would be wishful thinking to expect Levin to say that the admitted figure is the expected return from the sale of equipment (including amounts already received) and column A.

Be that as it may we must carry on with the negotiations on the lines suggested by Minister Sapir. It is best to know now what are at present the limits of each side's readiness for a settlement, than wait until after the counterclaim is filed, which will necessitate additional disbursements by the other side by way of court fees and stiffen the resistance to any settlement on the part of DSW and their legal advisers.

Unless I hear from you anything to the contrary, I shall try to see Mr. Vardi towards the end of next week. Frankly, I had in mind having a personal chat with Levin first, prepare him for talks with Vardi, as Vardi will undoubtedly not move without Levin's approval. I may still do so after discussing the next step with Lipschutz and Victor.

to:

Mr. E. Trefethen.

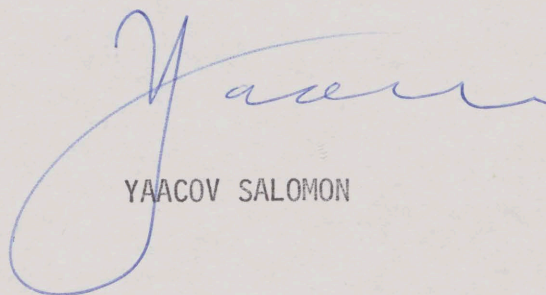
אלו

Page: - 4 - דף:

At the moment this is all I can say. I assume that following my next report it may be advisable that we meet again to decide matters of policy and possibly some other approach for an early settlement but this can wait until after clarification of what is certainly not a clear situation at this stage.

Best personal regards,

Yours sincerely,



YAACOV SALOMON

YS/nj.

25, 2, 11

The following are the details in support of the \$18,000,000 figure I have recommended to my clients (Kaiser) to accept by way of an amicable compromise settlement of all differences between Kaiser and DSW, including Van Hasselt en de Koning, (Haskoning) in order to settle without delay all matters and to avoid further costs and inconvenience.

1.	Moneys presently held in the Trust Account (See Note 1)	\$ 1,546,283
2.	Retained Funds (See Note 2)	2,034,194
3.	Estimated salvage from future sale of plant, equipment and inventory (See Note 3)	1,654,000
4.	Accounts receivable on certified quantities (See Note 4)	297,760
5.	Promissory Note Receivable (See Note 5)	500,000
6.	Demobilisation entitlement (See Note 6)	1,434,160
7.	Inventory Usage by DSW (See Note 7)	3,170,155
8.	Plant and Equipment Usage by DSW	

Carried Forward 12,277,597

9. Items disputed in respect of materials placed and work done in the dikes:
(See Note 9)

I.		\$ 7,948,000	
II.	1,418,440		
	Less credit of	<u>92,390</u>	1,326,050
III.			1,351,623
IV.		<u>700,374</u>	<u>11,326,047</u>
			Total: \$ 23,603,644
			=====

Suggested Compromise

Total of items 1 - 8 (inclusive)	\$ 12,277,597
50% of 11,326,047	<u>\$ 5,663,023</u>
	\$ 17,940,620
or say in round figures	<u>\$ 18,000,000</u>
	=====

GENERAL NOTES

The following is to be observed:

- (a) Contractors total claim in Court is \$36,128,395
(exclusive of interest and costs).
- (b) The Contractors total loss (including interest and costs) as per Summary Position Paper of November 30, 1970 is \$ 43,400,606.

NOTES

Item 1

\$ 1,546,283

At the time when the Contractors stopped work at the end of March 1966, the Contractors had at the site substantial items of machinery, equipment and inventory, of which DSW took possession.

These items can be divided into two categories:

Inventory, and Machinery and Equipment.

In February 1968 it was agreed between Kaisers and DSW that in order to save additional losses due to the continued deterioration of the items, and loss of value through the passage of time, the items still available then should be sold by a Joint Committee and that the proceeds be placed in a Trust Account at an agreed Bank.

The figure of \$ 1,546,283 represents the net proceeds of sales actually realized by the Committee, available in Trust Account at the Israel Discount Bank at Tel Aviv.

Item 2

\$ 2,034,193

Under Articles 74 and 85 of the Contract, DSW were required to pay to the Contractors, against certificates of the Engineer, 90% of the value of the works executed up to the end of the preceding month. The balance 10% was to be retained moneys till after the maintenance period.

The retentions from contract revenues are as follows:

(a) On an accrual basis (as per Project Books)	2,034,193
(b) On a cash basis actually retained by DSW	<u>1,941,803</u>
Difference	\$ 92,390

The difference of \$ 92,390 is credited to DSW under Item 9 below. (See details). Accordingly \$2,034,193 is admittedly due under Item 2.

Item 3. It is estimated that the remaining items of plant, equipment
\$ 1,654,000 and inventory still unsold would at a maximum realize the
figure of \$1,654,000 mentioned under Item 3. This item is
treated as a cash item for purpose of the suggested settlement.

Item 4. The item \$297,760 relates to approved payments not paid at
\$ 297,760 the time of suspension of work.

Item 5. Note Receivable \$500,000.
\$ 500,000 This represents the first Note of \$500,000 due under the
Second Memorandum of Addendum of 16th August 1964 upon the
closure of the perimeter dike. The perimeter dike was closed
in February 1965.

Item 6. Under the Contract an agreed amount of \$1,500,000 was to be paid
\$ 1,434,160 to the Contractors for demobilisation. An amount of \$1,434,160
is still outstanding after a credit given for \$65,840.

Item 7. At the time of the takeover of the works by DSW early in 1966,
\$ 3,178,155 DSW seized substantial items of machinery, equipment and
inventory. The inventory part of these items was valued by
Dr. J. Schoenewald, a valuer appointed by the Engineer, at
\$4,045,620.

To this item there should be added a sum of \$185,682 represent-
ing the valuation of materials in stockpile at that time
making a total value of inventory at the time of seizure of
\$4,231,302.

The value of the returned inventory is only \$1,053,147.
Accordingly the amount claimed for inventory not returned
or deteriorated is \$3,178,155.

Item 8.	Plant and Equipment Usage by DSW:		
\$ 1,633,045	Original Cost	9,538,109	
	Accumulated depreciation	<u>5,481,433</u>	
	Book Value		4,056,676
	Less:		
	Sales made by the Committee	1,798,258	
	Sales made by Kaiser Engineers (April - Oct. 1970)	<u>377,666</u>	
	Total:	2,175,924	
	Less selling expense (combined 358,359)		
	Misc. scrap & other revenue	<u>106,066</u>	<u>252,293</u>
	Net Salvage Recovery to October 25, 1970	1,923,631	
	Estimated future salvage Recoveries	<u>500,000</u>	<u>2,423,631</u>
	Net Plant and Equipment Cost Attributable to DSW		1,633,045

Item 9. A major error was made by Haskoning in estimating the
\$ 11,326,047 magnitude of the settlement of the dikes.

The following items relate primarily to the dike settlement
and Foundation failure as well as clay core rejection
and are for the purposes of the said recommendation
taken as items in dispute:

I.	Additional amount for dike settlement and foundation failure.		
	Pervious fill only		7,948,000
II.	Additional amounts for clay and basic cost fluctuation		
		1,418,440	
	Less: credit of	<u>92,390</u>	1,326,050

III.	Clay core settlement quantities, errors in protection stone measurements, excess core excavation due to dike settlement and foundation failure, and repairs of wrongly rejected dike 3.5 clay core	1,351,623
------	--	-----------

IV.	Additional rate payable under the contract for clay backfill, related to settlement and foundation failure, and additional rate for more onerous cutoff excavation resulting from dike settlement and additional basic cost fluctuations	<u>700,374</u>
	Total items (9)	11,326,047

FEBRUARY, 1971

יעקב סלומון ליפשיץ ושות'

עורכי דין ונוטריונים

YAACOV SALOMON, LIPSCHÜTZ & Co.

Advocates & Notaries

Yaacov Salomon
Naphtali Lipschütz
Moshe Ben-Peretz
Benjamin Glowinsky
Ben-Zion Seraya

Shmuel Behar
Jack Levinson
Alexander Samuel
Moshe Lipschütz
Joseph Giller
Joseph Sadeh
Yadin Machness
Amnon Shibolet
Michael Fox
Amos Avni

HAIFA: Yoel House, Hameginim Ave. 64
P. O. B. 303 Tel. 535231
Telegr. Address: „CLIENT“ HAIFA
Telex: 816 Haifa

TEL-AVIV: 1, King David Avenue
P. O. B. 16138 Tel.: 262126
Telegr. Address: „SALIPAD“ TEL-AVIV

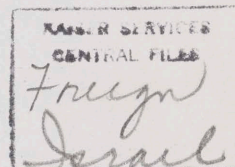
חיפה: בית יואל, שד' המגינים 64
ת.ד. 303 טל. 535231
כתובת טלגרפית: „קלינט“ חיפה
טלקס: 816 חיפה

תל-אביב: שדרות המלך דוד 1
ת.ד. 16138 טלפונים: 262126
כתובת טלגרפית: „סליפאד“ תל-אביב

Our Ref. K/170/2/2059 מספרנו:

Haifa, 25th February, 1971.

Mr. Edgar Kaiser
Chairman
Kaiser Industries Corporation
Kaiser Center
OAKLAND, CALIFORNIA
U. S. A.



2/25/71

Dear Edgar,

I should have acknowledged earlier your letter of the 8th January, 1971. I was glad to get a written note from you as I missed you when I was last at Oakland, as well as during the Athens meeting.

I wanted to be in a position to have an appropriate summary of the proposal for a settlement based on checked figures before making any further approach to Minister Sapir. During the whole of the month of January, Minister Sapir was engaged in preparing his budget for 1971-72 and during the present month he was in the States and Europe and returned only two days ago. I could not therefore contact him during the preceding or current month.

In regard to the figures it turned out that these had to be checked again and I was happy to have Paul Meyer come over especially for this purpose. The whole of yesterday was spent at a conference here with me and Naphtali, at which Bill Sproule and Victor participated. I believe we prepared a fair presentation and summary of which I enclose copy. This follows substantially earlier discussions and Lou Oppenheim's comments.

I appreciate your concern and your desire that \$18 million should be the minimum amount realizable by way of compromise. I shall certainly do my best. I am far from optimistic at least at the initial stages.

I presented to Paul very fully the way I see things and how I expect to go about in my contact with Minister Sapir and others, with a view to presenting the Kaiser case as best as can be, your personal views as well as the merits of the claim legally and morally.

Our lawyers are fairly confident. Nonetheless, it is my advice and I believe Gene, Lou and you are in agreement, that if there is a chance for an early settlement, it should be pursued as tactfully and diligently as possible. This I shall try to do. If I shall be met with a rebuff and a possible rejection of the proposal, it is my view that this will not be the end of further efforts towards a settlement, generally on the basis of the terms outlined in the enclosures.

יעקב סלומון
נפתלי ליפשיץ
משה בן-פרץ
בנימין גלובינסקי
בן-ציון סריה
—
שמואל בכר
יצחק לוינסון
אלכסנדר שמואל
משה ליפשיץ
יוסף גילאור
יוסף סדה
ידין מכנש
אמנון שבלת
מיכאל פוקס
עמוס אבני

to:

Mr. Edgar Kaiser

אלו

Page:

- 2 -

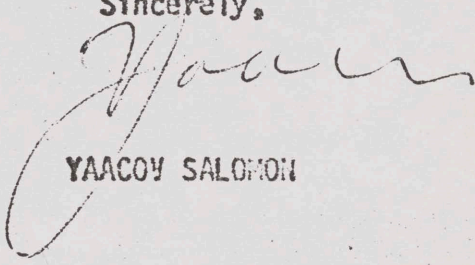
:97

If this should be the case I would have to review the position with you, Gene and Lou at an early date since I have some ideas which could best be discussed at a meeting rather than expounded in a written memorandum. Paul Meyer will probably explain my views including my suggestion as to further action.

I shall try to see Minister Sapir some time next week. I will of course report to you as soon as possible.

Keep well.

Sincerely,



YAACOV SALOMON

Encl:
YS/nj.

cc: Mr. E.E. Trefethen Jr.
Mr. L.H. Oppenheim.

The following are the details in support of the \$18,000,000 figure I have recommended to my clients (Kaiser) to accept by way of an amicable compromise settlement of all differences between Kaiser and DSW, including Van Hasselt en de Koning, (Haskoning) in order to settle without delay all matters and to avoid further costs and inconvenience.

1.	Moneys presently held in the Trust Account (See Note 1)	\$ 1,546,283
2.	Retained Funds (See Note 2)	2,034,194
3.	Estimated salvage from future sale of plant, equipment and inventory (See Note 3)	1,654,000
4.	Accounts receivable on certified quantities (See Note 4)	297,760
5.	Promissory Note Receivable (See Note 5)	500,000
6.	Demobilisation entitlement (See Note 6)	1,434,160
7.	Inventory Usage by DSW (See Note 7)	3,178,155
8.	Plant and Equipment Usage by DSW (See Note 8)	<u>1,633,045</u>
	Sub-Total	\$ 12,277,597

Carried Forward 12,277,597

9. Items disputed in respect of materials placed and work done in the dikes:
(See Note 9)

I.		\$ 7,948,000	
II.	1,418,440		
	Less credit of	<u>92,390</u>	1,326,050
III.		1,351,623	
IV.		<u>700,374</u>	<u>11,326,047</u>
		Total:	\$ 23,603,644 =====

Suggested Compromise

Total of items 1 - 8 (inclusive)	\$ 12,277,597
50% of 11,326,047	<u>\$ 5,663,023</u>
	\$ 17,940,620
or say in round figures	<u>\$ 18,000,000</u> =====

GENERAL NOTES

The following is to be observed:

- (a) Contractors total claim in Court is \$36,128,395
(exclusive of interest and costs).
- (b) The Contractors total loss (including interest and costs) as per Summary Position Paper of November 30, 1970 is \$ 43,400,606.

NOTES

Item 1

\$ 1,546,283

At the time when the Contractors stopped work at the end of March 1966, the Contractors had at the site substantial items of machinery, equipment and inventory, of which DSW took possession.

These items can be divided into two categories:

Inventory, and Machinery and Equipment.

In February 1968 it was agreed between Kaisers and DSW that in order to save additional losses due to the continued deterioration of the items, and loss of value through the passage of time, the items still available then should be sold by a Joint Committee and that the proceeds be placed in a Trust Account at an agreed Bank.

The figure of \$ 1,546,283 represents the net proceeds of sales actually realized by the Committee, available in Trust Account at the Israel Discount Bank at Tel Aviv.

Item 2

\$ 2,034,193

Under Articles 74 and 85 of the Contract, DSW were required to pay to the Contractors, against certificates of the Engineer, 90% of the value of the works executed up to the end of the preceding month. The balance 10% was to be retained moneys till after the maintenance period.

The retentions from contract revenues are as follows:

(a)	On an accrual basis (as per Project Books)	2,034,193
(b)	On a cash basis actually retained by DSW	<u>1,941,803</u>
	Difference	\$ 92,390

The difference of \$ 92,390 is credited to DSW under Item 9 below. (See details). Accordingly \$2,034,193 is admittedly due under Item 2.

Item 3. It is estimated that the remaining items of plant, equipment
\$ 1,654,000 and inventory still unsold would at a maximum realize the
figure of \$1,654,000 mentioned under Item 3. This item is
treated as a cash item for purpose of the suggested settlement.

Item 4. The item \$297,760 relates to approved payments not paid at
\$ 297,760 the time of suspension of work.

Item 5. Note Receivable \$500,000.
\$ 500,000 This represents the first Note of \$500,000 due under the
Second Memorandum of Addendum of 16th August 1964 upon the
closure of the perimeter dike. The perimeter dike was closed
in February 1965.

Item 6. Under the Contract an agreed amount of \$1,500,000 was to be paid
\$ 1,434,160 to the Contractors for demobilisation. An amount of \$1,434,160
is still outstanding after a credit given for \$65,840.

Item 7. At the time of the takeover of the works by DSW early in 1966,
\$ 3,178,155 DSW seized substantial items of machinery, equipment and
inventory. The inventory part of these items was valued by
Dr. J. Schoenewald, a valuer appointed by the Engineer, at
\$4,045,620.

To this item there should be added a sum of \$185,682 repres-
enting the valuation of materials in stockpile at that time
making a total value of inventory at the time of seizure of
\$4,231,302.

The value of the returned inventory is only \$1,053,147.
Accordingly the amount claimed for inventory not returned
or deteriorated is \$3,178,155.

Item 8. Plant and Equipment Usage by DSW:

\$ 1,633,045	Original Cost	9,538,109	
	Accumulated depreciation	<u>5,481,433</u>	
	Book Value		4,056,676
	Less:		
	Sales made by the Committee	1,798,258	
	Sales made by Kaiser Engineers (April - Oct. 1970)	<u>377,666</u>	
	Total:	2,175,924	
	Less selling expense (combined)	358,359	
	Misc. scrap & other revenue	<u>106,066</u>	<u>252,293</u>
	Net Salvage Recovery to October 25, 1970	1,923,631	
	Estimated future salvage Recoveries	<u>500,000</u>	<u>2,423,631</u>
	Net Plant and Equipment Cost Attributable to DSW		1,633,045

Item 9. A major error was made by Haskoning in estimating the
\$ 11,326,047 magnitude of the settlement of the dikes.

The following items relate primarily to the dike settlement
and Foundation failure as well as clay core rejection
and are for the purposes of the said recommendation
taken as items in dispute:

- I. Additional amount for dike settlement
and foundation failure.
Pervious fill only 7,948,000
- II. Additional amounts for clay and
basic cost fluctuation 1,418,440
Loss: credit of 92,390 1,326,050

III. Clay core settlement quantities
in errors and protection stone measure-
ments, excess core excavation, due
to dike settlement and foundation
failure and repairs of wrongly
rejected dike 3.5 clay core 1,351,623

IV. Additional rate payable under the
contract for clay backfill, related
to settlement and foundation failure,
and

Additional rate for more onerous cutoff
excavation resulting from dike settle-
ment and additional basic cost fluctua-
tions

700,374

Total items (9)

11,326,047

R KAISERIND TV 418
KAISERIND OAKLAND CALIF

FEBRUARY 9, 1971

ATTN: HARDY/ SPROULE

3609 DJH: REGISTRAR GAVE AN 18 PAGE DECISION ON DSW APPLICATION
TO STRIKE OUT PORTIONS OF OUR STATEMENT OF CLAIM.

HE DISMISSED THEIR APPLICATION TO STRIKE OUT PORTIONS OF
PARAGRAPHS 40, 41, 42, AND 44 DEALING WITH PRE-ZURICH QUANTUM
MERUIT.

ORDERED TO STRIKE OUT REFERENCE TO MEMORANDUM OF INTENTION FROM
PARAGRAPHS 11, 23 AND 24 OF STATEMENT OF CLAIM.

ORDERED COST AGAINST DSW IL 20,000 FOR SUBMITTING LENGTHY
APPLICATION WHICH THEY HAVE SUBSEQUENTLY WITHDRAWN.

ISRAEL COUNSEL SEND YOU THEIR COMPLIMENTS.

PLEASE INFORM LONDON. ✓

REGARDS

TCHELISTCHEFF

KAISERV OAK A

12.35 ✕

KAISERV OAK A

Q

TELEX CURACAO

UF

KAISERV OAK A

BOOTH CU06

cc: E. F. Kaiser
E. E. Trefethen, Jr. ✓
L. H. Oppenheim
Paul C. Meyer

*Legalized for
March 8 1967*

*March 48 - 3/2
15% over market*

234 000

351,000

KAISER SERVICES
CENTRAL FILES
*Freeman
David*

2/9/71

RECEIVED

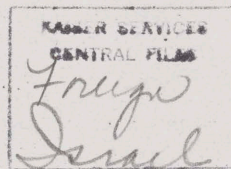
FEB 9 1971

DAVID HARDY

DIAMOND NATIONAL CORPORATION
DIAMOND GRAPHIC ARTS DIVISION

DIAMOND NATIONAL CORPORATION
DIAMOND GRAPHIC ARTS DIVISION

DEAD SEA ACTION



OPINION

Su. 3/18/71

1. I understand from Mr. Williams that it is proposed to have settlement discussions between Mr. Jacob Salomon and representatives of the Israeli Government. The proposal apparently is that Mr. Salomon should put forward as a basis of settlement a figure of about U.S. \$16 million (or \$19 million less \$3 million for the equipment already released), such figure being the net loss suffered by Kaiser Engineers & Constructors Inc. after deducting moneys received from C.A.C.. I am asked to comment on this proposal in the light of my knowledge of the relevant documents and of my previous advice on the conduct of settlement negotiations.

2. The Plaintiffs are claiming about U.S. \$36 million. I understand that no indication has yet been received from the Defendants or the Israeli Government of their readiness to pay the Plaintiffs anything, though the disputes have now been before the courts for nearly 5 years. U.S. \$19 million is roughly half the amount claimed. I am sure that it would be unwise to come forward at this stage with ~~so~~ low a figure unless a firm indication of readiness to pay a substantial amount is forthcoming.

3. The relevant documents in the Green Volumes are full of pleas by one or more of the Plaintiffs to D. S. W. or the Government

for more money on the ground of unforeseen losses, which pleas were only successful on one occasion, the Second Memorandum of Addendum. A major line of attack which DSW will mount in the action is that the Plaintiffs undertendered, that the losses were due to under-tendering, and that all the Plaintiff's claims have been concocted so as to dress up their pleas for more money in the clothes of purported legal claims. In my opinion, based on any studies of the material documents, there is much prima facie support for this line of attack in the documents, and Counsel conducting the action will have a difficult task in repelling this line of attack. Accordingly it will in my view be most unwise to approach settlement on the basis of Kaisers' losses. The only way in which settlement will be successfully pursued is by repeated emphasis on the legal merits of the Plaintiff's claims and the support which the claims receive in the documents and in the technical work carried out by and under the direction of the Panel.

4. In the light of paragraph 3 above it is important that settlement discussions should be conducted by someone who has full knowledge of the details of the legal and factual issues, and of the documents and the extent to which the documents support or undermine either side's case. It is not fair to expect this of Mr. Salomon, since he is not one of the lawyers engaged in the conduct of the Plaintiff's case. Indeed, the fact that he has apparently agreed to put forward Kaisers' losses as a basis for settlement shows that he cannot have been made aware of what the Green Volume documents contain.

5. The proposal as regards settlement is apparently to be made without consultation with the lawyers conducting the Plaintiffs' case. Whether or not their advice would in the event be followed, it would be wrong not to consult them, because:

(a) they may be able to show a better means of pursuing settlement; and

(b) it is unfair to them, as the lawyers having the responsibility for conducting the Plaintiffs' case, not to consult them about a step which could prove to be one of the most damaging steps taken by Kaisers in the whole course of the litigation.

6. I have previously given advice on a number of occasions about the way in which to go about trying to settle this action, and I will not lengthen this Opinion by repetition of that advice, except one point. In a case of this magnitude and complexity it is essential, before any step whatever is taken towards settlement, that everyone concerned should have reached a clear and full understanding of what is involved and of what tactics are to be adopted. For this purpose Israeli Counsel should now be asked to prepare written settlement guidelines which can then be discussed and hammered into shape. The importance of this point is shown very plainly by the fact that the present settlement proposal has been based on an aspect on which the Plaintiffs' case is weakest, without first ensuring full consideration of the relevant documents.

1, HARE COURT,
TEMPLE, EC4Y 7BE.

Richard Southwell

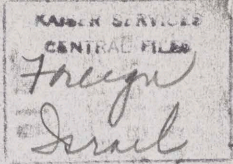
1 February 71

JANUARY, 1971

R KAISERIND TV
KAISERV OAK A

cc: E. F. Kaiser
E. E. Trefethen, Jr.
W. Marks
J. K. Parker
P. C. Meyer

W. R. Sproule 1/18/71



R KAISERIND TV 418
KAISERIND OAKLAND

18 JANUARY 1971

ATTN: HARDY

391 DJH: YESTERDAY DSW APPLICATION FOR STRIKING OUT

WAS HEARD. BZ OPENED BY CHARACTERIZING THE APPLICATION AS AN ABUSE OF THE PROCESS OF THE COURT. LEVIN THEN FIRST WITHDREW THE ADDITIONAL APPLICATION THEN WITHDREW THE FORMER APPLICATION EXCEPTING POINT TWO RE MEMORANDUM OF INTENTION AND POINT TEN RE QUANTUM MERUIT BUT LIMITING IT TO PRE ZURICH PERIOD WHICH HE ARGUED ALL DAY YESTERDAY AND EYE REPLIED TODAY CRITICIZING THE FILING OF THE FIRST APPLICATION WITHOUT CONSIDERING THE LAW AND ASKING FOR COSTS. ADJOURNED FOR DECISION TO FEBRUARY 9.

APP. INSPECTION DIKE 3.5 ADJOURNED FEBRUARY SIXTEENTH PENDING INSPECTION OF DOCUMENTS IN AFFIDAVIT OF DOCUMENTS. HASKONING APPLIED FOR ITS STRIKING OUT APPLICATION TO BE HEARD ON FEB. 16TH JUDGE INSISTED ON IMMEDIATE HEARING AND ONLY AGREED TO COMMENCE SUNDAY NEXT ON WHICH HK THREATENED TO WITHDRAW ITS APPLICATION AND TOMORROW THEY WILL EITHER AGREE TO SUNDAY NEXT OR WITHDRAW. WE ALL WONDERING AT THIS UNEXPECTED TURN.

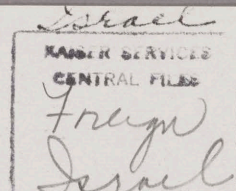
REGARDS

LIPSCHUTZ

KAISERV OAK A

0

NOTE: "BZ" - Moshe Ben Zeev (Former Attorney General)



1/8/71

January 8, 1971

My dear Yaacov:

This will refer to your letters to Gene and Gene's letter to you dated January 8. First, I was very sorry that my health did not permit me to be with you at the Athens meeting. Regarding the health subject, I am much better; however, the doctors have strongly urged a minimum amount of travel and plenty of rest. Now that I am back in the office, it's difficult to draw the line, but Sue is holding my hand and I couldn't have a better taskmaster.

Lou Oppenheim, Gene and I have considered your letters carefully. They have reviewed the Athens discussions. I am in complete accord with Gene's letter of January 8 to you; however, I do feel I must comment with respect to my own opinion in this settlement matter as to the equities.

Some of this is repetition of discussions that you and I have already had--but just to set them forth--here they are: The total loss, and it is an actual loss and includes only out-of-pocket interest, is in excess of \$43 million. Based on the Zurich discussions, which were held solely because Minister Sapir was doing his best, in my opinion, to find an equitable solution, contemplated that the joint venture would have a loss of approximately \$7 million. It is reasonable to assume that we might have been off 10 to 15% in our estimates at that time, so that a maximum loss figure of \$8 million would not be unreasonable. As a matter of equity, therefore, I feel that the joint venture should, as a result of the Zurich agreement and our good faith with Sapir, absorb not more than the \$8 million loss. The mechanics, therefore, are, if you subtract \$8 million from the \$43 million, you arrive at \$35 million. A settlement of \$18 million is about half of that

Page two
January 8, 1971

figure, and results in Kaiser taking a much greater loss than was anticipated at the time we took out CAC. As you know, we would have to have a settlement of approximately \$24 million in order to arrive at the settlement we anticipated we would receive when we took out CAC.

You have referred in your letter to Gene of December 23 ^X to a reasonable settlement. In my opinion, when the facts are clear that we thought the maximum loss for the joint venture would be \$7 to \$8 million, and our share would be about 20% of this or about \$1,500,000 at the most, and now we are faced, based on an \$18 million settlement, with an actual loss of approximately \$25 million. It seems to me both unreasonable and inequitable. On the other hand, I am fully aware of the years of struggle and effort that you and your associates, and we, have put into this settlement negotiation, and I recognize that it could go on for many more years which would increase both our litigation costs plus our interest, and the same is true for the Dead Sea. This is the reason I reluctantly--and I must say disappointedly, accept the decision to support you on the \$18 million settlement. From Minister Sapir's standpoint, I hope you are successful in convincing him that the \$13,700,000 figure is, in fact, items that cannot equitably be disputed, and therefore, an \$18 million settlement results in the Dead Sea allowing us only \$4,300,000 for our claims.

I understand the rationale in your letter, and agree with Gene that it appears reasonable and logical; however, I hope you can appreciate my feeling with respect to the equity of a fair settlement. In addition, as you know, I have always felt that we made a great financial sacrifice by continuing the work so that the Dead Sea would have a complete dike, and the Government of Israel would be able to produce potash. Our sole reason for continuance of the work over the strong objections of all our partners was to leave the job in a condition where they could produce potash. I think it's most unreasonable to use criticisms of waste, theft, mismanagement, etc. as an excuse for high costs. The cost experience of the Dead Sea itself in completing the work is proof of the value

Page three
January 8, 1971

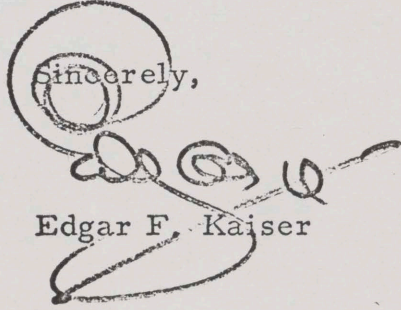
of the work under the circumstances that were encountered. I cannot accept the fact that the criticisms of management, theft, etc. were anything but defensive arguments of the management of the Dead Sea to justify their public position. I purposely did not endeavor to embarrass either the management or the Government by entering into a controversy publicly. We did, however, retain independent outside competent consultants and auditors to review everything we were doing while the work was in progress, and I am satisfied that we did an unusually good job under the circumstances, and that such position can be substantiated by the independent auditors and consultants.

What I am trying to say, and not expressing it very well, is that I felt we went far beyond the call of our responsibilities or our duties because of my admiration for Israel and my recognition and understand of their problems, and therefore, it is difficult to accept a settlement of less than \$5,000,000 or \$18,000,000, depending upon how you look at it. I realize it is a staggering figure, but at the same time, I hope your Government can appreciate that even with an \$18,000,000 settlement, our actual loss would be the staggering figure of \$25,000,000

I know you understand the above, but I wanted to recap my feeling on this matter and still confirm to you, considering all the circumstances, and particularly your recent discussions with Minister Sapir, that I support Gene's letter of January 8. I have great confidence in you, my friend. I know you are a man of principle and that you believe in equitable and fair compromise.

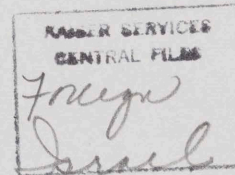
The Lord be with you, my friend. Sue joins in sending her best regards to Sara.

Sincerely,



Edgar F. Kaiser

Mr. Yaacov Salomon
Yaacov Salomon, Lipschutz & Co.
P.O. B. 303
Haifa, Israel



January 8, 1971

Dear Yaacov:

See EFK's file - Israel

Thank you for your letters of December 21 and December 23, 1970. We have studied them in detail and have had several discussions on this subject.

I am attaching for your information a copy of a memorandum from Lou Oppenheim dated January 7, 1971 in which he analyzes the various items included in your letter, point by point.

You will note that following the same steps that you did and using the same distinction between those amounts to which we are clearly entitled under the contract and those to be compromised at your suggested 50% for items related to the excessive dike settlement, we arrive at a figure of \$18,700,000 as compared to your \$16,400,000. This difference of \$2,300,000 is made up roughly of \$1,300,000 increase in inventory usage and \$1,000,000 representing 50% of the cost of materials other than pervious fill placed as a result of the dike settlement.

We were quite interested in following the steps of your rationale. It appears to be very reasonable and logical, and I am sure that having written it, you believe in it and feel you can sell it.

Based upon your logic, we would have expected a settlement amount of \$18,700,000 consisting of \$13,700,000 for, as you put it, "admitted items or items which could hardly be disputed in negotiations for a settlement", plus \$5,000,000 for "items in dispute that might be compromised". However, in view of the fact that you have already unofficially and informally given Minister Sapir a figure of \$18,000,000, we would be willing to back you up and accept the \$18,000,000 as a full and final settlement of all open items. Since the remaining items of inventory, plant and equipment have already been turned over to us for disposal and we have certain proceeds from prior sales in the

Mr. Yaacov Salomon

- 2 -

January 8, 1971

Trust Accounts, these two items would not require any cash outlay by DSW, but only a release of any interest they might have in them. Therefore, the \$18,000,000 figure would, in effect, be reduced by \$3,000,000 to a total of \$15,000,000.

With respect to your second approach to a settlement figure, you have eliminated over \$8,000,000 of interest and claims preparation expense. We trust that you will keep Minister Sapir informed that these are very real costs which must be considered in arriving at a compromise settlement.

While we have agreed to back you on the \$18,000,000 settlement, we must caution you that this is much lower than our opinion of an equitable and fair compromise. It is a minimum compromise figure, and we hope that you will be able to convince Minister Sapir of its fairness.

The procedure for arriving at a settlement that you have discussed with the Minister is satisfactory to all of us including Edgar and George Woods.

We will be looking forward to hearing from you.

With warm personal regards,

E. E. Trefethen, Jr.

cc: Edgar F. Kaiser
L. H. Oppenheim
Geo. Woods

bc: David Hardy P. C. Meyer
J. K. Parker W. R. Sproule
J. E. Hughes

Mr. Yaacov Salomon
Yaacov Salomon, Lipschutz & Co.
P.O. B. 303
Haifa, Israel

From the Desk of

L. H. OPPENHEIM

January 7, 1971

E. E. Trefethen, Jr.

Re: Dead Sea Works

Attached is a revised memorandum following our discussion and a draft of a letter to Salomon.

cc: ~~Edgar F. Kaiser~~
J. K. Parker
David Hardy
J. E. Hughes

KAISER ENGINEERS

INTER-OFFICE MEMORANDUM

RECEIVED

TO Edgar F. Kaiser
AT E. E. Trefethen, Jr.

DATE January 7, 1971

JAN 7 1971

FROM L. H. Oppenheim

EDGAR F. KAISER
OAKLAND

COPIES TO David Hardy J. K. Parker
J. E. Hughes
P. C. Meyer
W. R. Sproule

AT Oakland

JOB NO.

KAISER SERVICES
CENTRAL FILES

SUBJECT DEAD SEA WORKS
SETTLEMENT DISCUSSIONS

I have reviewed Mr. Salomon's letter of December 21, 1970 in considerable detail and would like to comment on the various points in his letter as follows:

Admitted Items or Items which could hardly be disputed in
Negotiations for a Settlement

(1) Monies Held in "The Trust Account" \$1,546,283

Comment: This is the correct amount as of October 31, 1970 including not only cash but some accounts receivable.

(2) Estimated Salvage from future sales of Plant,
Equipment and Inventory \$1,654,000

Comment: This is the amount set forth in the Position Paper. It should be kept clearly in mind, however, that included in this figure is an estimated future recovery of \$700,000 from the sale of inventory and \$500,000 from plant and equipment, the balance being miscellaneous receivables. An analysis just completed of the inventory on hand raises a serious question as to whether it will be possible to recover this \$700,000, and Tchelistcheff's opinion is that the recovery might be \$500,000 less.

(3) I. Retained Funds \$2,034,194

Comment: This is the correct amount as of October 31, 1970.

II. Accounts Receivable \$ 297,760

Comment: This is the correct amount as of October 31, 1970.

January 7, 1971

III. Note Receivable \$ 500,000

Comment: This is the correct amount as of October 31, 1970. This is the first note which was payable upon closure of the perimeter dikes in February 1965 and is not the second note for a like amount which was payable upon completion of the project.

Demobilization \$1,440,000

Comment: This amount is off slightly since additional amounts were included in the last three progress invoices. The correct figure should be \$1,434,160. Since demobilization was actually a bid item under the contract in the lump sum of \$1,500,000, and amounts totalling \$65,840 were actually invoiced, it might be more appropriate to include this item along with the other contract bid items than separately. However, this is strictly a matter of presentation.

Inventory \$1,886,102

Comment: I am in agreement with the principle expressed by Salomon that DSW should bear the difference in cost between the value of the inventory at the time of their takeover, and the proceeds ultimately realized from sale of the remaining unused items as this is the true measure of the value of the inventory used by DSW.

The figures used by Salomon were undoubtedly given to him by Tchelistcheff, but they fail to take into account the conservative approach which was taken on our books initially and the estimated loss still to be absorbed on future sales.

At the time of the takeover by DSW in 1966, a complete count and evaluation of the inventory items was made by Schoeneweld in the amount of \$4,045,620. This added to the \$185,682 valuation of the materials in stockpile gave a total value of \$4,231,302 as compared to the \$3,199,938 shown in Salomon's letter. The difference of \$1,031,364 is an amount that Kaiser Engineers, for conservatism, did not add to its book value of the inventory.

As mentioned above, a recent analysis of the inventory on hand shows a book value of \$960,000 for items remaining to be sold. If it is possible to recover the \$700,000 from the sale of these items (and there is a serious question about this), a further charge must be made to the inventory account to include this expected \$260,000 loss on sales.

In summary then, I believe the figures for inventory usage should be as follows:

Salomon's Letter	\$1,886,102
Add for Original Valuation	1,031,364
Add for Estimated Loss on Future Sales	<u>260,689</u>
Total	\$3,178,155

Plant and Equipment \$1,679,497

Comment: I am in agreement with the general approach used by Salomon in charging DSW for the difference between the book value of the equipment at the time of the DSW takeover and the anticipated net realization from the sale of the returned equipment. Our detailed figures work out to \$1,633,045 for this item.

Payment for Work Performed

A. Quantities Certified by the Engineer but not yet Paid

Total	\$1,716,200
Less Accounts Receivable stated above	<u>297,760</u>
Balance	\$1,418,440

Comment: We agree with this item.

B. Additional Amount for Dike Foundation Settlement

\$7,948,000
Compromised
at 50% to
\$4,000,000

Comment: Salomon's position is that there was a major error made by DSW and Haskoning in forecasting the settlement of the dikes which required Kaiser Engineers to furnish very substantial quantities of materials in excess of that originally specified. He implies that Kaiser Engineers' cost for these excess materials was \$7,948,000 and suggests that it should be compromised at 50% to \$4,000,000.

The figure of \$7,948,000 appears to be taken from a tabulation of figures used in discussions between attorneys Lipschutz and Levin in Haifa on July 21, 1969. Assuming this is true, then it covers only the additional pervious fill and therefore only a portion of the additional materials required because of the error in forecasting the foundation settlement. It does not cover such items as the added excavation and clay backfill for the core and cutoff, the filter layers, protection stone and the like.

Furthermore, this \$8,000,000 is the amount mentioned for this one item in our "claim under the contract", whereas our total "quantum meruit" claim, based on total actual costs, is about \$10 million greater than the total "claim under the contract". Therefore, this \$8,000,000 figure is less than our cost for the pervious fill alone.

It would seem to me that consideration should be given to all of the additional work performed by Kaiser Engineers for DSW rather than only the one item of pervious fill.

As a minimum, we should be entitled to the contract unit prices for the total quantity of all work performed. This would result in a payment for quantities in addition to those certified by the Engineer in "A" above in an amount equal to \$1,351,623, excluding pervious fill.

In addition, we have "claimed under the contract" for an increase over the contract unit prices to recover a portion of our actual costs. Applying these claimed rates to the quantity of work performed on the major items would produce an additional \$700,374, excluding pervious fill, and would bring these major items into agreement with figures used in discussions between attorneys Lipschutz and Levin in Haifa on July 21, 1969.

This would produce a total amount of \$23,696,034 which compares to the \$36,000,000 plus interest claim and \$43,400,000 loss to 10-31-70 as stated in our Position Paper.

Edgar F. Kaiser
E. E. Trefethen, Jr.

- 5 -

January 7, 1971

Salomon has suggested in his letter that for purposes of settlement the \$8,000,000 pervious fill item should be compromised at 50% to arrive at a total suggested amount of \$16,400,000. If we follow his formula, we would arrive at a comparable number of \$18,700,000 as shown in the tabulation below. The difference being made up of essentially two items: (1) the inventory usage is understated, and (2) the additional materials furnished because of the excessive settlement of the dikes included more items than just the pervious fill material.

Tabulating the above results in the following comparison:

	<u>Salomon's Letter</u>	<u>This Memorandum</u>	<u>Difference</u>
Trust Account	\$ 1,546,283	\$ 1,546,283	-
Salvage from Future Sales	1,654,000	1,654,000	-
Retained Funds	2,034,194	2,034,194	-
Accounts Receivable	297,760	297,760	-
Note Receivable	500,000	500,000	-
Demobilization	1,440,000	1,434,160	\$ (5,840)
Inventory Usage	1,886,102	3,178,155	1,292,053
Plant & Equipment Usage	1,679,497	1,633,045	(46,452)
Additional Quantities Certified by Engineer	<u>1,418,440</u>	<u>1,418,440</u>	<u>-</u>
Sub-total	<u>12,456,276</u>	<u>13,696,037</u>	<u>1,239,761</u>
Additional Amount for Dike Foundation Settlement			
Pervious Fill	7,948,000	7,948,000	-
Additional Quantities not Certified by Engineer	-	1,351,623	1,351,623
Additional Amount "Claimed Under the Contract"	<u>-</u>	<u>700,374</u>	<u>700,374</u>
Sub-total	<u>7,948,000</u>	<u>9,999,997</u>	<u>2,051,997</u>
Total	<u>\$20,404,276</u>	<u>\$23,696,034</u>	<u>\$3,291,758</u>
Reduction on basis of Salomon's 50% Compromise and Rounding	<u>4,004,276</u>	<u>4,996,034</u>	<u>991,558</u>
Total	<u>\$16,400,000</u>	<u>\$18,700,000</u>	<u>\$2,300,000</u>

LHO:dd