

Rohan Gunaratna  
C. Hurst & Co. (Publishers) Ltd.  
38 King Street  
Covent Garden  
London WC2E 8JZ  
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Sheikh Khalid Bin Mahfouz  
c/o Kendall Freeman  
Solicitors  
43 Fetter Lane  
London  
EC4A 1JU

Dear Sir

I write in response to your solicitors' letter of 13 May 2004.

Page 62 of a book which I wrote, Inside Al Qaeda: Global Network of Terror ("**the Book**"), contained allegations which it may be argued meant that:


1. Sheikh Khalid bin Mahfouz, a wealthy Arab and former Chairman of the National Commercial Bank ("**NCB**") of Saudi Arabia, is a financial mainstay of Al Qaeda.
2. As a result of an investigation by the Saudi authorities, Sheikh Khalid bin Mahfouz was placed under house arrest after it was discovered that funds had been passed through NCB which were used to fund the assassination attempt on President Mubarak in 1995, as well as finding that several millions of dollars were transferred to Al Qaeda accounts in New York and London. NCB was subsequently forcibly "*reconstituted*".

As was made clear in footnotes (4) and (5), my references to Khalid bin Mahfouz relied on an article published in USA Today dated 29 October 1999 which quoted senior US intelligence sources. USA Today have recently stated that their report contained several errors. In common with others who relied on that report in good faith, I accept that I can no longer do so.

In the circumstances I withdraw any allegations contained in the Book that you were a financial mainstay of Al Qaeda, or that you were placed under house arrest as a result of your involvement as chairman of NCB in the funding both of Al Qaeda and of an attempt to assassinate President Mubarak. I am happy to accept that you abhor terrorism and that you had no part in or knowledge of any alleged transfer of funds to support terrorism, that you were not placed under house arrest and that your decision and that of your family to sell over time its shareholding in NCB had nothing whatsoever to do with the matters raised in the Book. I sincerely apologise to you for the distress and embarrassment this caused. I am pleased that we are able to resolve this matter without the need for litigation and for my own part I undertake not to make any such allegations or any similar allegations about you in the future.

To emphasise my regret in respect of this matter, I have also agreed jointly with my publishers C Hurst & Co to make a donation in lieu of damages to UNICEF, which you have nominated, and pay your reasonable legal costs of dealing with this matter.

Yours faithfully



Rohan Gunaratna