

Exhibit

HUNTON & WILLIAMS

1900 K STREET, N.W.

WASHINGTON, D.C. 20006-1109

TELEPHONE (202) 955-1500

FACSIMILE (202) 778-2201

BRUSSELS, BELGIUM
WARSAW, POLAND
HONG KONG
NEW YORK, NEW YORK
ATLANTA, GEORGIA
RICHMOND, VIRGINIA

MCLEAN, VIRGINIA
NORFOLK, VIRGINIA
RALEIGH, NORTH CAROLINA
CHARLOTTE, NORTH CAROLINA
KNOXVILLE, TENNESSEE

DAVID B. RIVKIN, JR.

DIRECT DIAL: (202) 955-1513

August 26, 1996

His Excellency Mate Granic
Minister of Foreign Affairs
Republic of Croatia
Zagreb, Croatia

Retention Letter

Dear Mr. Minister:

Based upon our discussions with Ambassador Zuzul, we are pleased to offer you the following agreement for the retention of Hunton & Williams' legal and representational services for one year, beginning as of August 1, 1996. This representation may, of course, be renewed for future years upon the mutual agreement of the parties. This agreement may be terminated by either party upon 30-days notice.

As discussed with Ambassador Zuzul, we propose to represent the interests of the Republic of Croatia before the United States Government, including a range of advocacy initiatives and measures designed to ensure that Croatia's position on various issues is fully appreciated and understood in the United States. As over the past year, we plan to advise you on how both to respond to various media accounts portraying developments in and around Croatia and how to anticipate them in advance, enabling you to present a full and accurate picture of your government's actions and intentions. We will continue to advise you on how to improve the overall relationship between Croatia and the United States; to participate in your efforts to attract American investment to Croatia; and to provide routine legal support for your embassy in Washington.

We intend to provide you and your representatives with periodic reports and to seek your guidance on what specific actions should be undertaken on your behalf in the United

HUNTON & WILLIAMS

His Excellency Mate Granic
August 26, 1996
Page 2

States. Towards that end, we intend to communicate with you, both orally and in writing, meet with your representatives in Washington, and travel to Croatia as needed.

Under this agreement, Hunton & Williams would be retained to work on behalf of the Republic of Croatia for a period of one year for a fee of \$41,666.66 per month, a total of \$500,000. The \$41,666.66 per month budget will cover only the costs of our services. Expenses will be billed separately. The category of expenses covers such items as transportation, phone charges, and copying costs. Obviously, the most substantial potential expense category is the cost of transportation to and from Croatia.

As is customary with Hunton & Williams, we will provide the Government of Croatia with monthly statements, reflecting the work done during the preceding month and the expenses incurred. As was the case last year, we request that one half of the total amount, \$250,000, be provided to Hunton & Williams contemporaneously with the execution of this agreement, and that the remaining balance of our fees, \$250,000, be provided to Hunton & Williams by January 1, 1997.

The monies received from you will be placed in interest bearing escrow accounts, and Hunton & Williams will draw from those accounts a monthly fee equal to \$41,666.66. Any interest will, of course, belong to the Republic of Croatia, which can use those funds to offset expense payments due to Hunton & Williams. In the event that this agreement is terminated, Hunton & Williams will remit to the Republic of Croatia only those funds remaining in the accounts, after payment to us of all fees and expenses accrued up to the termination of the agreement.

In undertaking this representation, as we have discussed, Hunton & Williams will be required to continue its registration as your representative under the Foreign Agents Registration Act, and this agreement -- as well as a record of our expenses and reimbursements -- will have to be publicly disclosed under that law. We will, of course, maintain all of our communications with you in the strictest confidence, as covered by the Attorney-Client Privilege, to the fullest extent allowed by law.

As in the past, the individuals who will be working on this matter include the following Hunton & Williams lawyers -- John J. Adams, John J. Rhodes, III, Lee A. Casey, and myself. Please keep in mind that, over time, it may be necessary for Hunton & Williams to add lawyers, or to reassign lawyers working on your account. These decisions are made solely by Hunton & Williams.

HUNTON & WILLIAMS

His Excellency Mate Granic

August 26, 1996

Page 3

Finally, as you know, we may be called upon by other clients, present or future, to represent them in commercial transactions with your Government, with organizations or commercial entities in which your Government may have an interest, or with other commercial entities within the Republic of Croatia. Because we cannot predict what situations may arise, we ask that you agree, just as you did in our retainer agreement last year, that Hunton & Williams will remain free to represent such clients so long as the matters involved are not specifically related to the matters in which we are representing the Republic of Croatia, and do not require us to utilize confidential information that we have learned from the Government of Croatia while working on your behalf.

If the representational terms described in this letter are satisfactory to you, please acknowledge your agreement by signing below.

Please be assured that our entire team has very much enjoyed our working experience with you, Ambassador Zuzul, and the Washington Embassy staff, over the past year, and is looking forward to continuing our association with you in the coming year.

The foregoing correctly states our understanding.

\S\

Ministry of Foreign Affairs
Dr. Mate Granic

Date

\S\

Hunton & Williams
David B. Rivkin, Jr.

Date