

BAKER  
&  
HOSTETLER LLP  
COUNSELLORS AT LAW

# 5599

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March 1, 2004

His Excellency Ivan Šuker  
Finance Minister  
Republic of Croatia  
Zagreb, Croatia

Dear Mr. Minister:

We appreciate having Baker & Hostetler LLP selected to represent the Republic of Croatia. We look forward to serving the needs of the Republic of Croatia and to establishing a mutually satisfactory and productive relationship. The purpose of this letter is to confirm in writing our engagement as counsel which, pursuant to the request of your government, commenced in January, 2004, and to provide you with certain information about our fees, billing, and collection policies, and other terms that will govern our relationship. We believe that it is helpful to explain to our clients the nature and terms of our representation at the beginning of our relationship. To this end, we have also attached to this letter a statement of the terms of our engagement which, along with this letter, represents the entirety of our agreement.

The Government of the Republic of Croatia has asked us to perform the following services or functions: represent Croatia's position on various legal issues to the Government of the United States of America; represent Croatia before the United Nations' International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed on the Territory of the Former Yugoslavia since 1991 ("ICTY"), as well as before other United Nations bodies, in connection with these matters; and provide advice regarding potential reforms to the Croatian judicial system. We understand that, as Finance Minister, it is within your authority to retain, on behalf of the Government of the Republic of Croatia, counsel for these purposes. In carrying out these responsibilities, we will seek instruction from the designated representative of the Government of the Republic of Croatia. In addition, we will provide the Government with periodic reports on our efforts. We have not been asked to perform any other services or functions or assume any other responsibilities.

Under this agreement, Baker & Hostetler LLP would be retained to work on behalf of the Republic of Croatia for a period of one year. This arrangement will, of course, be renewable based on mutual agreement. Our professional fees for legal services will be determined primarily by the amount of time our attorneys and other personnel spend performing services on

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your behalf and their standard applicable hourly rates. As is customary, we will also bill for any expenses, at cost, that we incur in the course of our representation of the Republic of Croatia. We will bill you monthly for our services.

As a condition of our undertaking this matter, the Government of the Republic of Croatia has agreed to pay us an advance of one-hundred seventy-five thousand U.S. dollars (\$175,000), payable on or before March 31, 2004, to be held in a non-interest bearing trust account, as security for payment of our professional fees and other charges. This advance is not a substitute for your timely payment of our interim statements, but should remain on deposit until the completion of this engagement.

The advance will be applied to the final invoice. However, we may apply the advance against any unpaid amounts due us from time to time without further authorization from you and, in the event the engagement has not been then completed, you agree to replenish the advance, upon our request. Any amount of the advance that is not required to pay our professional fees or other charges will be refunded to you at the completion or earlier termination of our representation.

In undertaking this representation, Baker & Hostetler LLP has already registered, with the United States Department of Justice, as your representative under the Foreign Agents Registration Act, 22 U.S.C. §§ 611-621. This agreement, as well as a record of our expenses and reimbursements, and activities on the Government's behalf, will have to be publicly disclosed as part of that process. We will, of course, maintain all of our communications with you in the strictest confidence, in accordance with the attorney-client privilege, to the fullest extent allowed by law.

If the terms described above and in the attached terms of engagement are acceptable to you, please sign the enclosed copy and return it in the envelope provided.

Sincerely,

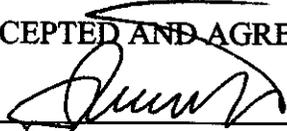


William H. Schweitzer

For

Baker & Hostetler LLP

ACCEPTED AND AGREED TO:

  
\_\_\_\_\_  
Ivan Suker

Finance Minister

Republic of Croatia

Date: 30.04. 2004

## **ADDITIONAL TERMS OF ENGAGEMENT**

### **Introduction**

The purpose of this document is to explain our relationship with the Government of the Republic of Croatia ("Client"), our billing practices, our obligations to the Client, and its obligations to us in the belief that our relationship will benefit from a mutual understanding of these matters at the beginning of our relationship. We urge you to call us any time you have any question relating to any of these matters. We strive to have satisfied clients and your satisfaction is very important to us.

Your agreement to this engagement constitutes your acceptance of the following terms and conditions. If you find any of these terms and conditions unacceptable, please tell us now so that we can try to resolve any differences and proceed on a mutually satisfactory basis.

### **Our Relationship**

Our engagement and the legal services we will provide are limited to the matter described in the accompanying letter. Any change in our engagement or the legal services we are to provide to the Client must be mutually approved in writing. The services we provide are strictly legal services; we do not provide business, personal, financial, investment, accounting or other services. The Client must provide us with the factual information and materials we need to perform the legal services identified in the accompanying letter, and we will perform the necessary legal services and give the necessary legal advice. The Client, however, must make all policy decisions that are required, including in the case of litigation, the decision whether or not to settle a case. The Client will not rely on us for business, personal, financial, investment, or accounting advice and will not expect us to investigate the character or credit of persons or entities with whom it is dealing, unless we have expressly agreed to do so in the accompanying letter.

### **Confidentiality and Other Matters**

As counsel, we will owe to the Client duties of confidentiality, loyalty, and competent and zealous representation. We are required to preserve its confidences and secrets. This obligation and the attorney-client communication privilege exist in order to facilitate and encourage candid communication between attorney and client. We can adequately represent the Client, and give it sound legal advice, only if we are made aware of all information and documents that might be relevant to the matter we are undertaking. Accordingly, we urge you to communicate with us fully and without reservation so that we can properly perform these legal services, and give provide legal advice with respect to the matter on which we have been engaged.

## **Personnel**

When selecting attorneys to perform legal services required by this engagement, we generally consider the skill, ability, and experience levels required for the work, prior commitments of our attorneys, and the time demands of this matter and other matters. At times we may use temporary personnel with appropriate credentials to complete certain work under our supervision.

## **Expenses and Other Charges**

Our statements will include out-of-pocket expenses we incur (*e.g.*, filing fees, court reporter fees, expert witness fees, overnight courier fees, travel, and postage) and internal charges we make for other services we provide (*e.g.*, copying, computerized legal research, long distance telephone, and faxes) in connection with performing legal services on your behalf. Out-of-pocket expenses incurred will be billed at our cost, which in some cases may be estimated. Internal charges (which may exceed direct costs and allocated overhead expense) will be billed at amounts that reflect the value of the service or industry practice. Further detail regarding any expenses or other charges will be furnished upon request. We may request an advance expense deposit where we expect that we will be required to incur substantial out-of-pocket costs in the course of this representation.

**Travel Expenses.** For automobile travel, we customarily reimburse our attorneys and other personnel and charge you the Internal Revenue Service approved mileage rate, plus parking and tolls outside the cities in which our offices are located. Actual cost is always charged for airfare, auto rental, cab fare, meals, and lodging.

**Delivery and Communications Expenses.** Postage on mail is billed at cost.

Air express, outside local messenger services and courier services are billed at cost. Use of our own messengers for local deliveries is charged at rates generally competitive with local messenger services.

Long-distance telephone calls are charged at costs estimated using rate tables provided by our primary vendors. Local mobile phone calls to or from clients are billed at cost, exclusive of phone rental and lease costs, which are absorbed by the caller.

**Computerized Research and Database Charges.** We utilize Lexis-Nexis and Westlaw to provide primary automated research services. In addition, we have access to other internal and external databases which help to save money and assist in improving the quality of legal research. Our charges for use of these automated research tools are at vendor invoice plus a percentage estimated to cover internal costs directly related to these services. Automated database services are billed \$.50 per minute of connect time.

**Photocopying and Telecopying Charges.** Copying is charged at \$.20 per page for black & white and \$1.50 for color. Outgoing faxes are charged at \$2.00 per page within the United

States and \$3.00 per page internationally. There is no charge for incoming faxes or for long distance phone charges associated with fax transmission.

### **Invoices and Payments**

Unless otherwise mutually agreed, our invoices are due and payable upon receipt. Payment is considered overdue if not received within 21 days from the invoice date. If our invoices are not timely paid, we may withdraw from the representation and terminate our services. We may also assess an interest charge on any overdue invoices, whether or not we terminate services. Payments made on overdue invoices are applied first to the oldest outstanding invoice.

To help facilitate and expedite the payment of this invoice, we suggest that you wire the funds to our bank account. Our wiring instructions are as follows:

Bank:

Account Name:

Account Number:

ABA Transit Routing No.:

Attorney:

Client Name/Number:

Date of Invoice:

Invoice Number:

If you have any question about any invoice or any fee, expense, or other charge, we urge you to discuss it with us. We want you to be satisfied with the quality of our services and the reasonableness of our fees.

### **Termination**

Unless we have mutually agreed to continue our attorney-client relationship with respect to other matters, our attorney-client relationship will end upon the completion of services for the matter to which the accompanying letter applies or upon the earlier termination of our engagement by you or by us. In this regard, you have the right to terminate our attorney-client relationship at any time you wish with or without cause. An early termination of our relationship without cause will not, and an early termination of our relationship with cause may not, relieve the client of its obligation to pay our reasonable fees, expenses, and other charges incurred before the termination. We also have the right, and sometimes the obligation, to terminate the engagement subject to the ethical standards in the Rules of Professional Conduct. We also reserve the right to suspend or terminate our representation, subject to such ethical standards, if you breach your obligations with respect to the engagement or do not pay the firm's invoices as specified.

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REGISTRATION UNIT  
CRM/ISSUE UNIT

### **Ownership of Files and Records**

Except as to records which belong to the firm, records or files which we receive from you and documents that are produced or created in connection with your representation, shall be the Client's property, subject to any lien granted by law, rules of professional conduct and our right to make and retain copies. Upon the closing of our files after termination of the engagement, we will return records belonging to the Client unless you request otherwise, or unless special circumstances require us to retain such records. If you request that we retain the files we may ask that the Client bear the costs of storage. We shall require written authorization to transfer any property belonging to the Client to a third party. Under our record retention policy we normally destroy files ten years after a matter is closed. It is understood and agreed that we shall have the right, at our discretion, to dispose of files which have not been returned to the Client at such time that we determine that such files need no longer be retained.