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To: Prime Minister Željka Cvijanović, Government of Republika Srpska
From: Adrian Karatnycky, Managing Partner, Myrmidon Group LLC
Re: Consultancy Proposal Scope of Work (January 2015-December 2015)
Date of Preparation: 20 January 2015
Republika Srpska: Telling the Story of Market Based Economic Development, Investment Opportunities, Democratic Practices, and Pragmatic Governance

Republika Srpska (RS) can continue to promote its international image, find understanding for its policy goals, and encourage foreign direct investment by systematically telling the story of its internal accomplishments as one of the two recognized entities within BiH. Toward this end Myrmidon Group LLC proposes a program of continued cooperation with the government of Republika Srpska for work that assists RS in its efforts to present itself to government, business, policy, and media communities in the US and Europe in a way that accurately reflects the reform-oriented nature of its policies.

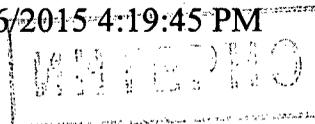
As part of this approach, in 2015, outreach efforts—supported by Myrmidon Group LLC—will be guided by RS government priorities and will focus on promoting awareness of:

- a) Republika Srpska's adherence to and toward European best practices and standards; b) the vibrancy of RS democratic institutions and political pluralism as demonstrated by RS-wide legislative and Presidential elections; c) RS's commitment to efficient and lean government at a time of economic difficulty in much of Europe; d) RS's willingness to cooperate across ethnic and political lines on the basis of respect for its rights under the Dayton Accords; e) RS's openness to North American and international investment in (among others) its energy, resources, agriculture, tourism, and manufacturing sectors.*

The focus of this proposal is two-fold:

- a) Political and Policy Outreach—i.e. accurately conveying a view of the RS as an stable entity led by a democratic and market-friendly leadership that is committed to participating in European institutions;*
- b) Economic and Business Outreach—focused on increasing investor attention to the RS in North America and through European affiliates of North American companies and*

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thus seeking to promote foreign direct investment and other types of capital flows into Republika Srpska, with particular emphasis on small and mid-size business development, the energy sector, agriculture, commodities, tourism and the furniture and wood sectors. A further emphasis will be on seeking assistance in securing fiscally efficient solutions for RS infrastructure projects.

These activities will be undertaken in close coordination with the Government of Republika Srpska and in cooperation with the Washington-DC-based Republika Srpska Representative Office for Trade, Investment and Cooperation with the United States.

This proposal is primarily focused on the U.S., where Myrmidon Group LLC has strong contacts with the business community, the policy community, government, and the media.

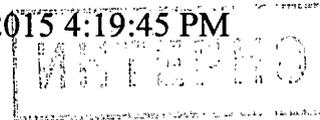
The scope of work envisioned is for the period January 2015 to December 31, 2015 at a rate of US \$ 45,000 (forty-five thousand US dollars) per month for a total of US \$ 540,000 inclusive of personnel, administrative costs, legal support, travel and program expenditures as itemized in Addendum 1, which is a part of this proposal.

a) Political and Policy Outreach

In 2015, a program of outreach will be aimed at the U.S. policy, think tank, and business communities and will focus on explaining reform-oriented policies that Republika Srpska has already taken and on RS efforts to promote regional stability as well as to monitor the threats posed to international security. A second focus of this outreach will be on continuing outreach to the U.S. Congress, to U.S. policymakers and the U.S. government to promote the decentralized development of Republika Srpska, as envisioned by the Dayton Accords. On the policy side, the leadership of RS seeks ensure the decentralization of BiH powers as guaranteed in the Dayton Accords. This approach will continue to be communicated to the policy and scholarly community, to the media, and to the US government and Congressional leaders as a pillar of regional stability.

The capable team of RS government leaders moving the country toward a more open market economy must be at the center of our proposed outreach efforts. In 2015, we propose a comprehensive program of outreach to the US business, government, media, and policy communities. To ensure the success of such efforts, we envision regular visits by leading RS officials to the U.S. building on successful visits to the Washington, D.C. Philadelphia and New York in 2014 by Prime Minister Zeljka Cvijanovic and Finance Minister Zoran Tegeltija.

A further emphasis of this outreach will be a focus on media, with an emphasis on U.S. media and international English-language media that are based in London, U.K. Such outreach will focus on broadcast media, business and investment media, and editorial boards of important newspapers. An important theme will be a the growing security challenges posed by radical Islamist terrorism linked among others to ISIS/ISIL, which has planted deep roots in the Balkans, and has not been adequately addressed by the BiH authorities.



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b. Economic Policy and Investment Promotion Outreach

Republika Srpska has established a set of business and investor-friendly policies including reductions in the number of days required to start a business, improved mechanisms to resolve commercial disputes, enhanced processes to obtain construction permits and to register property, all with a significant reduction in the number of steps and required procedures. Also, the amendments to the BiH Law on Policy of Direct Foreign Investments and the Republika Srpska law on Foreign Investment has created the preconditions to make the RS attractive to foreign investors. Work on communicating these investment conditions will be a key part of the business outreach effort.

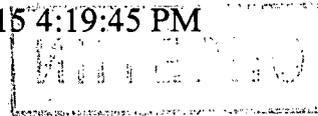
Key Aims

1. To brand RS as an entity that a) is stable b) is working within the context of BiH and benefiting from close relations with Serbia; c) is confidently stable and conflict; d) is developing on the basis of a commitment to free markets and market principles; e) is shaping its cooperation within BiH in the context of the Dayton Accords.
2. To reinforce the fact that recent elections in the RS have confirmed that the country is a stable democracy with a competitive electoral system, political pluralism, and free media.
3. To reach investors interested in niche frontier and emerging markets.
4. To promote specific investment opportunities to attract Western and in particular US investors.
5. To accurately project the current leadership as strongly protective of the Serbian population's interests, while at the same time pragmatic, market-oriented, and committed to peaceful cooperation in a multiethnic context.
6. To demonstrate that the RS government is led by competent modern technocrats and experts and committed to pragmatic reform policies.
7. To assist RS and RS companies in efforts to secure financing—if required-- through the issuance of international bonds.
8. To reach out to Serbian-Americans active in the business world and interest them in the opportunities to invest in RS.

Scope of Work

Working closely under the guidance of the RS Government, the outreach effort will focus on the following:

1. Outreach to the US State Department, the US National Security Council, the US Export-Import Bank, OPIC, and the US Congress.
2. Meetings with high-level government officials, legislators, business leaders, investors, and analysts for the RS leaders and representatives of other RS institutions during their US and European visits.
3. Support for meetings with high-level government officials, legislators, business leaders, investors, and analysts for the RS leaders and representatives of other RS institutions during their visits to the United Kingdom and other European countries.
4. Meetings with business leaders and opinion leaders in New York and Washington DC.



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5. Outreach through meeting and briefings for editors and journalists in New York, Washington, D.C. Brussels, and London, U.K.
6. Arrangement of occasional radio or television appearances for RS officials.
7. Policy briefings in New York City and Washington, D.C. and encouragement of conferences and seminars on regional issues, including Balkan security and stability, with a special focus on threat from extremist Islamist terrorism.
8. Analysis of U.S. policy toward BiH and RS.
9. Deepening of relationships with the leadership of the U.S. Jewish community.
10. Development of deeper ties with the Serbian-North American community.
11. Advice on speeches, presentations, briefings by RS leaders on business issues to U.S. audiences.
12. Developing a growing list of potential U.S. investors and analysts interested in RS and BiH.
13. Outreach to North American and European company offices in Belgrade.

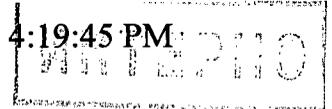
Outcomes

1. Ongoing cooperation with and cultivation of a relationship with the Friends of Republika Srpska
2. Organization of visits for RS high-ranking officials to Washington, D.C. and to the United Nations, and New York.
3. Support for visits by RS high-ranking officials to London, U.K.
4. Increased travel by U.S. community leaders, including Jewish community leaders, to Banja Luka and RS.
5. Coordination of visits by potential investors to Republika Srpska.
6. Assistance to RS Ministries in their communication with potential and existing foreign investors.
7. Promotion of U.S. financing and investment in major RS infrastructure and energy projects.
8. Better understanding by international democracy and rights monitoring organizations and media of the durability of democratic institutions in RS as elections approach.

Myrmidon Group LLC

Myrmidon Group is a boutique advisory group based in New York City that is well positioned to be of service to RS. Its work has mainly focused on enhancing economic contacts and building understanding between countries emerging out of Communist rule and has a network of effective relationships with investors focused on emerging and frontier markets. It also has a wide array of contacts in the think tank community, the media, the US Congress and the US government who are focused on international relations.

The Myrmidon leadership team will consist of two senior advisors (biographical data included) plus legal support and administrative support as needed. The principal advisors would be two New York-based professionals.



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Key Personnel

Overall Coordination, Strategic Advice, Policy Outreach:

Adrian Karatnycky, Managing Partner of Myrmidon Group LLC, has had a distinguished career in both the non-profit and for profit sector and has hosted and organized events and briefings for numerous world leaders, including three of Ukraine's presidents, former Hungarian President Arpad Goncz, Hungarian PM Viktor Orban, Lech Walesa, Russian President Boris Yeltsin, Polish Prime Minister Jerzy Buzek, Polish Parliamentary Speaker Radoslaw Sikorski, President of the German Bundestag Norbert Lammert, and numerous ministers of the economy, finance and energy from Ukraine and Eastern Europe. In 2000, he was the organizer and director of the non-governmental World Forum on Democracy in Warsaw, the parallel event to the Community of Democracies government conference.

Myrmidon's clients include and have included leading investment banks, hedge funds, Fortune 100 and Fortune 500 companies, media companies, energy companies, venture capital funds, and international law firms.

Myrmidon's Managing Director has further organized numerous economic and business forums focused on Ukraine with the financial support of major Fortune 500 companies. He comments and writes widely on regional trends in Eastern Europe for *Foreign Affairs* magazine, the *Financial Times*, the *Wall Street Journal*, and *Newsweek* and is the author of three books and co-editor of over 15 volumes. He has extensive reach into the U.S. think tank and Central and East European affairs policy community.

Coordination of Business and Investor Outreach:

George Sarcevich, Myrmidon Group Senior Advisor. Mr. Sarcevich is an investment banking professional with many years of work in leading US and international investment banks, including Goldman Sachs and HSBC Securities. He has also worked as special advisor to the Serbian Ministry of Finance and advised Montenegro's Ministry of Finance and Privatization. Mr. Sarcevich has fluency in Serbian and English, and strong links and knowledge of the North American Serbian diaspora. He will serve as regional consultant on capital market issues as well as on activities related outreach to the diaspora. Mr. Sarcevich's experience of work in Western investment banks will be used to assist on as needed basis with liaison support for RS based briefings and with contacts with visiting foreign investors generated by the project. He also will provide research backup for investment related issues, investment opportunity summaries, to supervise the translation into English of key background documents, and ensure as-needed services for investors and civic leaders who visit the RS under the scope of the program.

In addition, in order to assist international RS government visits, the program will from-

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time-to-time retain the services of a well-connected government relations professional to serve as an occasional U.K. liaison with the business community, investors, government, and the media and to coordinate outreach around U.K. visits by RS high-ranking officials.

Terms

The terms of the agreement will include payment for the services and activities outlined above of the monthly fee of US \$ 45,000 per month for twelve months (January-December 2015) to Myrmidon Group LLC for a cumulative total of \$ 540,000. Payment shall be made through wire or electronic transfer by end of each month to a U.S. based account of Myrmidon Group LLC.

There will be a financial accounting of expenditures as requested by Republika Srpska.

Myrmidon Group LLC will further provide detailed semi-annual reports on its activities to the government and legislative leadership of RS as requested.

This contract may be dissolved without cause by either of the parties, upon written notice.

Myrmidon Group LLC will extend its registration in accordance with US law with the Department of Justice under the terms of the Foreign Agents Registration Act, and will register with appropriate US Government and Congressional agencies within 10 days of the signing of this agreement.

Agreed:

Klokic Zlatan

Date: 30.01.2015.

**Zlatan Klokic, Minister for Economic Relations
and Regional Cooperation
For the Republic of Srpska Government**

Banja Luka, Republika Srpska

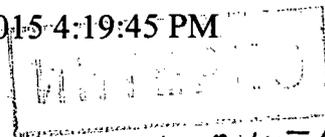
Adrian Karatnycky

Date: 20 January 2015

**Adrian Karatnycky
Managing Partner,
Myrmidon Group LLC**

New York, NY, USA

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Consolidated 2015 Budget in US Dollars

Item	Monthly Amount	Annual Expenditure
Professional Services	\$ 38,500.00	\$ 462,000.00
Travel	\$ 2,500.00	\$ 30,000.00
Events/Briefings/Outreach	\$ 1,500.00	\$ 18,000.00
Administrative Overhead (Office Expenses/ Legal Consultation/ Bookeeping)	<u>\$ 2,500.00</u>	<u>\$ 30,000.00</u>
Total	\$ 45,000.00	\$ 540,000.00