

**AGREEMENT ON THE IMPLEMENTATION OF THE ENTITY OBLIGATIONS
FROM THE FINAL ARBITRATION AWARD FOR BRCKO ON THE
PROVIDING ELECTRICITY**

The Government of the Brcko District of Bosnia and Herzegovina,

The Government of the Federation of Bosnia and Herzegovina,

The Government of the Republic of Srpska,

Under the auspices of the **Deputy High Representative and Supervisor of Brcko**
Ambassador Henry L. Clarke

With a view to implementing the Final Award issued by the International Arbitration Tribunal for Brcko dated March 5, 1999 and establishing the Brcko District of Bosnia and Herzegovina (hereinafter: Brcko District) as a single administrative unit under the exclusive sovereignty of Bosnia and Herzegovina;

Supporting integration, expansion and improvement of the electricity distribution system within the territory of Brcko District;

Recognizing that the Brcko District is the owner of all assets of the parts of the former utilities for distribution of electric power located within the District;

With the aim of providing equal electricity services to all District customers;

In furtherance of the Memorandum of Understanding dated September 19, 2000, and the Agreements concluded between the Entities and the Brcko District on October 24, 2000:

The Parties acknowledge:

THE SUBJECT OF THE AGREEMENT:

Regulating the mutual relations in the field of legal, economic, technical and other significant issues related to the way of providing the Brcko District with electric power as well as the development of the transmission and distribution network within the territory of the Brcko District and its neighboring area.

1. The Brcko District shall establish a division to be named the Division for Electricity Distribution (hereinafter the Division) offering uniform rates and levels of service to

all customers. This Division shall operate under the direct control of the Brcko District Government until such time as an independent oversight/regulatory agency or commission is established.

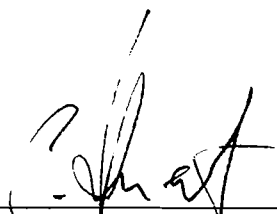
2. The priority of the Division shall be to work in close cooperation with the Elektroprivredas of the RS and FBiH to create an efficient market structure within clear regulatory frameworks that encourage competitive markets for electricity, attract private investors and ensure an economically sound system.
3. Major investments in the Brcko District electricity system are needed to (a) meet future electricity demands, (b) comply with BiH and international standards of cost effectiveness, (c) provide quality services, (d) maintain system integrity and (e) recover the full costs of service, including a reasonable return of investment.
4. The Division shall be the sole distributor of electricity service within the District and shall be at liberty to purchase electricity from any BiH or international provider(s) or combination thereof, and shall act in accordance with the future legal regulatory framework adopted at the BiH level.
5. The facilities for distribution of electric power, i.e. up to the level of 35 KV, including the level from 35 KV, that are not an integral part of the facilities of any electric transmission system, as well as a portion of the spare parts, vehicles, equipment, and other materials needed to provide the distribution of electricity within the Brcko District, that *were* under the jurisdiction of the "Elektrodistribucija" of Tuzla and "Elektrodistribucija" Bijeljina, independent companies existing within the territory of the Brcko District and that *were* in possession of the JP "Elektroprivreda BH"/Elektrodistribucija Tuzla and the JMDP "Elektroprivreda RS"/ ZDP Elektrodistibucija Bijeljina, became the property of the Brcko District Government/Division, as of January 1, 2001. The concrete details regarding the allocation and transfer of these assets will be specified in separate Annexes to this Agreement.
6. In accordance with the organizational structure of the Utilities Department of the Brcko District Government, the Division took over the workers who were employees of parts of the Elektroprivredas of the Federation of BiH and the Republic of Srpska on March 31, 2000. The workers shall exercise their rights in accordance with the valid legal framework of the Brcko District and the Agreement on the Implementation of the Entity Obligations from the Final Arbitral Award of October 24, 2000.

7. Setting of electricity fees and tariffs, until such time as a regulatory commission is established, shall be at the sole discretion of the Brcko District Government. Rate setting shall be determined by the District using the methodology and tariff procedures recommended in the study titled "Tariffs of Electric Power and Schemes of Social Protection" which was made for the needs of Bosnia and Herzegovina, including the references to the treatment of social cases as part of welfare benefits.
8. The suppliers of electric power contracted by the Utilities Department of the Brcko District Government will bear responsibility for quality (frequency and voltage) of the delivered electricity and will be responsible for installing properly calibrated metering equipment at all distribution ingress and egress points to the Division as developed through negotiations and by mutual efforts to facilitate high-grade readings of all necessary parameters for electricity. The terms of delivery, including the price of electric power and calculation of costs on facilities used jointly shall be regulated by the Contract on the Terms of Electric Power Delivery, signed with the supplier(s), and shall be Annexed to this Agreement, once the procedure of procurement is being conducted.
9. The Brcko District Government shall be responsible for approvals, construction, expansion, development, and functioning and maintenance of its distribution network, as well as for approvals for reconstruction of the existing and the construction of a new transmission network within the Brcko District.
10. All debts for the electric energy services delivered to consumers on the territory of the Brcko District up to March 31, 2000 shall not be the liability of the Brcko District. The Entities shall be entitled to use all available legal actions to collect their claims against consumers incurred up to March 31, 2000. The District shall, within its capacity and in the full coordination with the Entities, continue collecting these debts in the interest of the Entities. The funds already collected from the consumers by the District in the interest of the Entities for debts incurred before April 1, 2000 shall be reduced by the amount of the commission that the District is entitled to charge for the service provided and shall be transferred to the Entities. The parties agree that the District does not guarantee the 100 % collection.
The regulation of mutual rights and obligations of the Entities and the District, the details related to the debts of the Entities against the consumers collected by the District, as well as dynamics, the way of transfer of those revenues and the District's commission shall be regulated by special Annex to this Agreement.
11. The concept of the distribution and transmission network, which shall be created after the establishment of the Division, shall not affect the quality and the safe supply of electric power to the parts of the Federation of BIH and the RS that are directly or

indirectly connected to the distribution and transmission networks within the Brcko District or will be connected in future.

12. All Annexes to this Agreement, including "The Economic Conditions" and "The Technical Conditions", encompassing the specifics of paragraphs 5, 8, and 10 above, as well as any other matters deemed necessary as the supplements to and clarification of this Agreement on the provision of electricity services within the Brcko District, shall be completed and executed by the signatories of this Agreement within 30 days of signing of this Agreement.

This Agreement and Annexes shall constitute the body of the Agreement on provision of electricity in the Brcko District in its entirety.



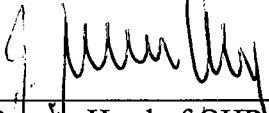
The Brcko District Government
Mr. Sinisa Kistic, Mayor



The Government of the Federation of Bosnia and Herzegovina
Mr. Bosko Lemez, Minister of Energy and Mining



The Government of the Republic of Srpska
Mr. Hasan Bedrovic, Minister of Energy, Mining and Industry



Deputy Head of OHR - N
Mr. Gerhard Sontheim