HILL AND KNOWLTON

Hill and Knowlton
Public Affairs Worldwide
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Washington, D.C. 20007
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May 4, 1987

Mr. Jon Hakon Magnusson
Managing Director
Kynning Og Markadur - KOM h.f.
Adalstraeti 7
Reykjavik,
Iceland

Dear Mr. Magnusson:

This is to summarize the arrangement under which Hill and Knowlton, Inc. ("H&K") will provide communications counsel and services in connection with services your company, Kynning Og Markadur - KOM h.f. ("KOM") has agreed to provide to the Government of Iceland's Ministry of Foreign Affairs ("Iceland").

As counsel, H&K will:

a) Advise on public affairs in connection with Iceland's fisheries' interests.

b) Plan and undertake activities designed to achieve Iceland's fisheries' communications objectives.

The financial arrangements will be as follows:

Charges for the services of H&K will be made at standard hourly rates for participating officers and staff assistants as they are required to carry out the programs and activities approved. On a monthly basis, KOM will pay H&K a minimum of U.S. $7,000 for services rendered under this agreement. Any staff time charges incurred in any month for the KOM account will be applied against this minimum, and any staff time charges incurred above the minimum will be billed at the regular rates. The total staff hourly charges and out-of-pocket disbursements shall not exceed U.S. $40,000 for the period May 4, 1987 to June 30, 1987 without the express consent of KOM.

~~In addition~~, KOM will reimburse H&K for all out-of-pocket disbursements made in the performance of its duties under this arrangement. KOM will pay H&K a fifteen percent (15%) handling and administration fee on all such disbursements except of "routine" disbursements. Routine disbursements will be limited to disbursements for travel, local messengers, in-house photocopying, and ordinary communications (telephone, telex and postage). All disbursements for materials, services and rights will be made by H&K as agent for KOM/Iceland.

Invoices for the actual staff time, out-of-pocket expenses and handling fees will be submitted with specified due dates, and KOM will pay each invoice on or before its due date. In the event payment is not made in a timely manner, H&K will charge KOM a late payment penalty of two percent (2%) per month on any overdue and unpaid balance from the previous month(s). KOM agrees to reimburse H&K for all expenses (including reasonable attorneys' fees) incurred in the collection of any overdue and unpaid balance.

Hill & Knowlton, Inc.

Hill and Knowlton's activities hereunder on behalf of KOM in connection with KOM's services to the Government of Iceland's Ministry of Foreign Affairs shall be subject to all applicable U.S. laws, including the Foreign Agents Registration Act and the Foreign Corrupt Practices Act. Pursuant to such laws, it is understood Hill and Knowlton will be making reports of its activities to appropriate U.S. government regulatory agencies and that such reports will be available to the public.

H&K acknowledges its responsibility, both during and after the term of its appointment, to use all reasonable efforts to preserve the confidentiality of any proprietary information or data developed by H&K on behalf of KOM/Iceland or disclosed by KOM/Iceland to H&K.

H&K will maintain accurate records of all staff time work and all out-of-pocket expenditures incurred on behalf of the organization and, during the term of this agreement and for one year thereafter, KOM may examine such records upon reasonable notice and during normal business hours. It is understood that the foregoing does not include H&K salary data, overhead and other internal H&K costs or non-billable expenses.

It is understood that H&K cannot undertake to verify facts supplied to it by you or the Government of Iceland or factual matters included in material prepared by us and approved by you or by the Government of Iceland. You agree to indemnify and hold harmless H&K from and against any and all losses, claims, damages, expenses (including reasonable legal expenses) or liabilities which H&K may incur (a) based upon information, representations, reports, data or releases furnished or approved by you or your representatives or the Government of Iceland for use or release by H&K and/or (b) resulting from disputes between H&K and third parties related to and/or within the scope of this agreement except where attributable to H&K's failure to use due care.

You also agree to reimburse H&K for time of staff and expenses (including legal expenses) reasonably incurred by us in connection with any litigation commenced or threatened against you (for example, in responding to a document subpoena).

H&K's appointment under this arrangement is to extend from May 4, 1987 to June 30, 1987.

This agreement represents the entire agreement of the parties and may be amended only by a writing signed by all parties. It shall be governed by and construed in accordance with the laws of the District of Columbia.

Sincerely yours,

HILL AND KNOWLTON, INC.

Charles R. Pucie, Jr.
Senior Vice President
H&K/Washington Operations

AGREED AND ACCEPTED:

KYNNING OG MARKADUR - KOM h.f.

By: _____

Title: Man. Dir

Date: May 13th 1987

Hill & Knowlton, Inc.