

EXPLANATORY NOTE

**to the nongovernmental investment YACONTO Integrated Program
of federal and nationwide significance
for the construction, in Tuapse region of Krasnodar Territory,
of a “Commercial Black Sea port YACONTO” and an establishment
of a Tuapse Naval Base for the Russian Black Sea Fleet ships
with their single industrial, transport and social infrastructure
according to the YACONTO List of Projects of 09.05.2005**

(Additions and clarifications to the YACONTO Explanatory Note from 07.02.2007)

1. Executive summary about the YACONTO Integrated Program

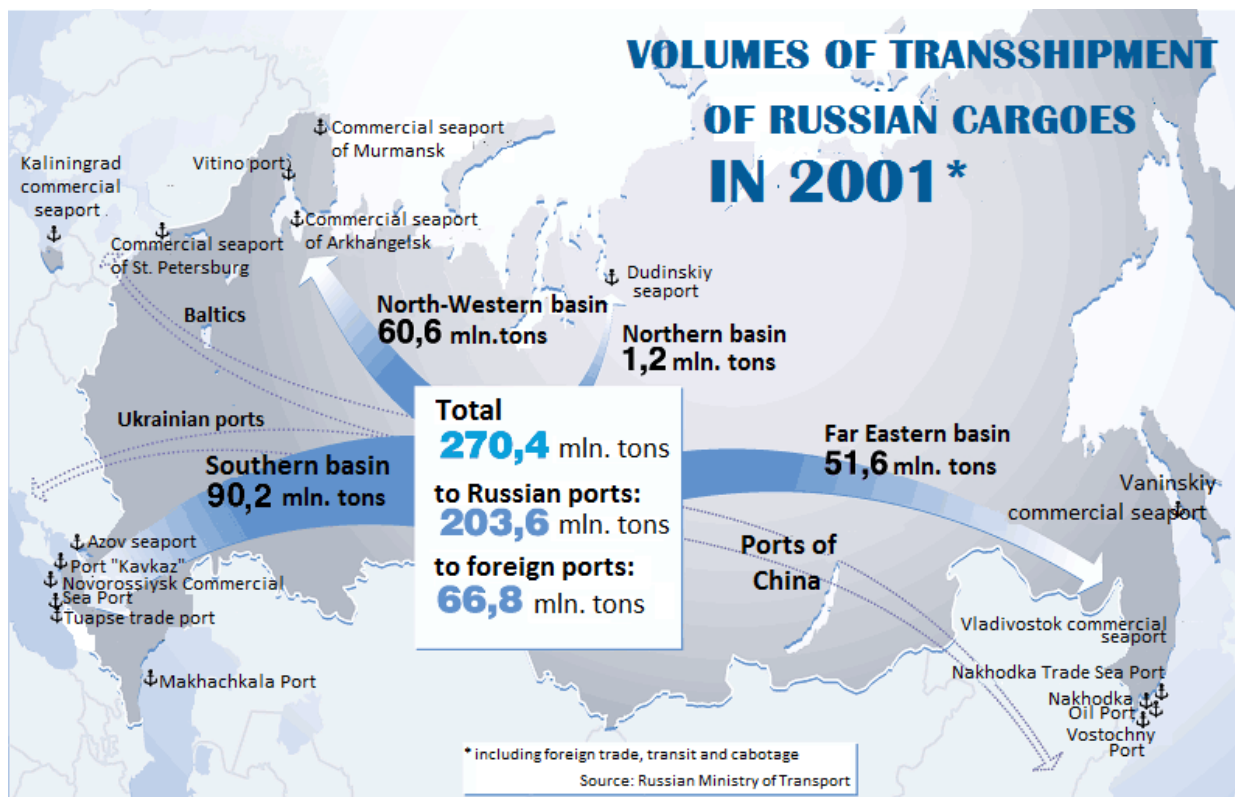
YACONTO LLC (Russia, Moscow) developed and proposed for implementation a nongovernmental investment YACONTO Integrated Program of federal and nationwide significance, which consists of major promising projects and programs, as per the YACONTO List of Projects of 09.05.2005, and is planned for implementation in Russia by attracting extrabudgetary funding and other Russian and foreign investment resources.

The YACONTO Integrated Program is aimed at socio-economic development and improvement of defense capabilities of Russia, as well as addressing the energy security of the industrial world, strengthening Russia's position in the international division of labor, protection of Russia's southern borders on the Black Sea coast, prevention of military threats and suppression of terrorist acts, smuggling of drugs, weapons and other goods. The implementation of the Integrated Program will significantly increase trade with Europe, America, Asia, Africa and Australia, including CIS and Middle East, and strengthen cooperation with them.

Russia is becoming competitive on the world market of transportation services and must use its own vehicles for the export of domestic products to foreign markets and imports of foreign goods for domestic consumption.

The YACONTO Integrated Program has been developed in order to address the problem of an acute shortage of port facilities on the Russian Black Sea arising from the transition of several major commercial and military ports under the jurisdiction of Ukraine and Georgia. The loss of those ports causes billions of dollars worth of damage to Russia per year and keeps the country dependent on the political and economic interests of the former Soviet republics which inherited

the military and commercial ports. Insufficient capacity of Russian ports is particularly acute in the Azov-Black Sea basin, which has geographic opportunities for expansion and favorable conditions for sea and river transportation.



According to the orders of the President of Russia, by 2010 the gross domestic product (GDP) is to be doubled, and in the event of favorable conditions created for the effective development of entrepreneurship in Russia, the GDP might grow another 3 times by 2020. This requires intensive development of transport communications, including the upgrade of the old and building new seaports, capable of providing quality and prompt handling of cargo, its sorting, setting, batching and storage of goods.

It is known that in all countries of the world commercial ports are dual-use facilities. That is why back in 2001 the Commander-in-Chief of the Russian Navy supported the concept proposed by YACONTO LLC for the creation of a modern Tuapse Naval Base and construction of the “Commercial Black Sea port YACONTO” having a single infrastructure, and located at an optimal distance of 2 kilometers from one another, which enables them to successfully carry out their functions without interfering with each other.

The YACONTO List of Projects of 09.05.2005 contains projects and programs developed for the Krasnodar Territory and aimed at socio-economic development and ensuring security and defense of Southern Russia. The List of Projects contains 3 core blocks:

- construction of a “Commercial Black Sea port YACONTO” (the “YACONTO Port”) for the transshipment of over 100 mln tons annually in Tuapse region;
 - construction of a Tuapse Naval Base (TNB) as the main basing and repair point for the warships and vessels of the Russian Black Sea Fleet (BSF), subject to withdrawal from Ukraine;
 - establishment of a single production, transport and social infrastructure for the “YACONTO Port” and the TNB.
-

Construction of the objects of the YACONTO Integrated Program requires millions of tons of metal, cement and other materials and supplies. Engagement of production, construction and transport capacities of Russian and foreign companies with the involvement of workforce of CIS will ensure socio-economic development of Russia and its partners.

All pre-project, design and construction work on the creation of the “YACONTO Port” and the TNB with their common infrastructure will be carried out together and simultaneously, which will most effectively accelerate the solution of socio-economic problems and secure Russia’s geopolitical interests in the Azov-Black Sea basin.

The Integrated Program provides for the application of modern methods of economic management, including the regulation of credit-monetary relations, signing of public contracts, optimization of tax, antitrust and customs regimes as well as the implementation of differentiated governmental aid.

Construction of the “YACONTO Port” will accelerate the handling of import and export cargoes from Russia and neighboring countries of Asian destinations, since the first berths will be operational in just three years after the start of construction. It will also provide the shortest distance to transit containers in the direction of the European South - Far East. The “YACONTO Port” will provide an opportunity to expand the assortment of transshipped cargo and take the lead in handling non-traditional goods, including sea-shipped 40-foot containers.

Implementation of the YACONTO Integrated Program will supply the “YACONTO Port”, the TNB and their common infrastructure with electricity, heat, gas, drinking quality water, fuel, as well as provide modern comfortable housing and jobs to the local people, external experts and military personnel, the headcount of the latter reduced due to the reform of the Russian Armed Forces, which will significantly reduce time and cost of the creation of the “YACONTO Port” and the TNB. Besides, it will ensure significant development of industry and agriculture of Southern Russia through a drastic increase in the efficiency of rail,

road, pipeline, air and water transportation. This will improve the socio-economic and political situation in the North Caucasus and strengthen the defense capability and national security of Russia in the Azov-Black Sea basin.

The implementation of the YACONTO Integrated Program will significantly increase the production of exports by small and medium Russian businesses through the introduction of innovative technologies and attraction of financial and other resources necessary for that.

The YACONTO Integrated Program is supported by the leadership of the Russian Academy of Sciences (RAS) and its leading institutions, who confirmed their readiness to participate in the scientific justification, maintenance and implementation of this Program.

Major construction, industrial and financial companies of Germany, Spain, France, Italy, United Kingdom, U.S., Turkey, UAE, Russia and other countries expressed their interest and readiness to take part in funding, design, construction and equipping with modern technology equipment of the “YACONTO Port” and its industrial, transport and social infrastructure on terms developed and proposed by YACONTO LLC.

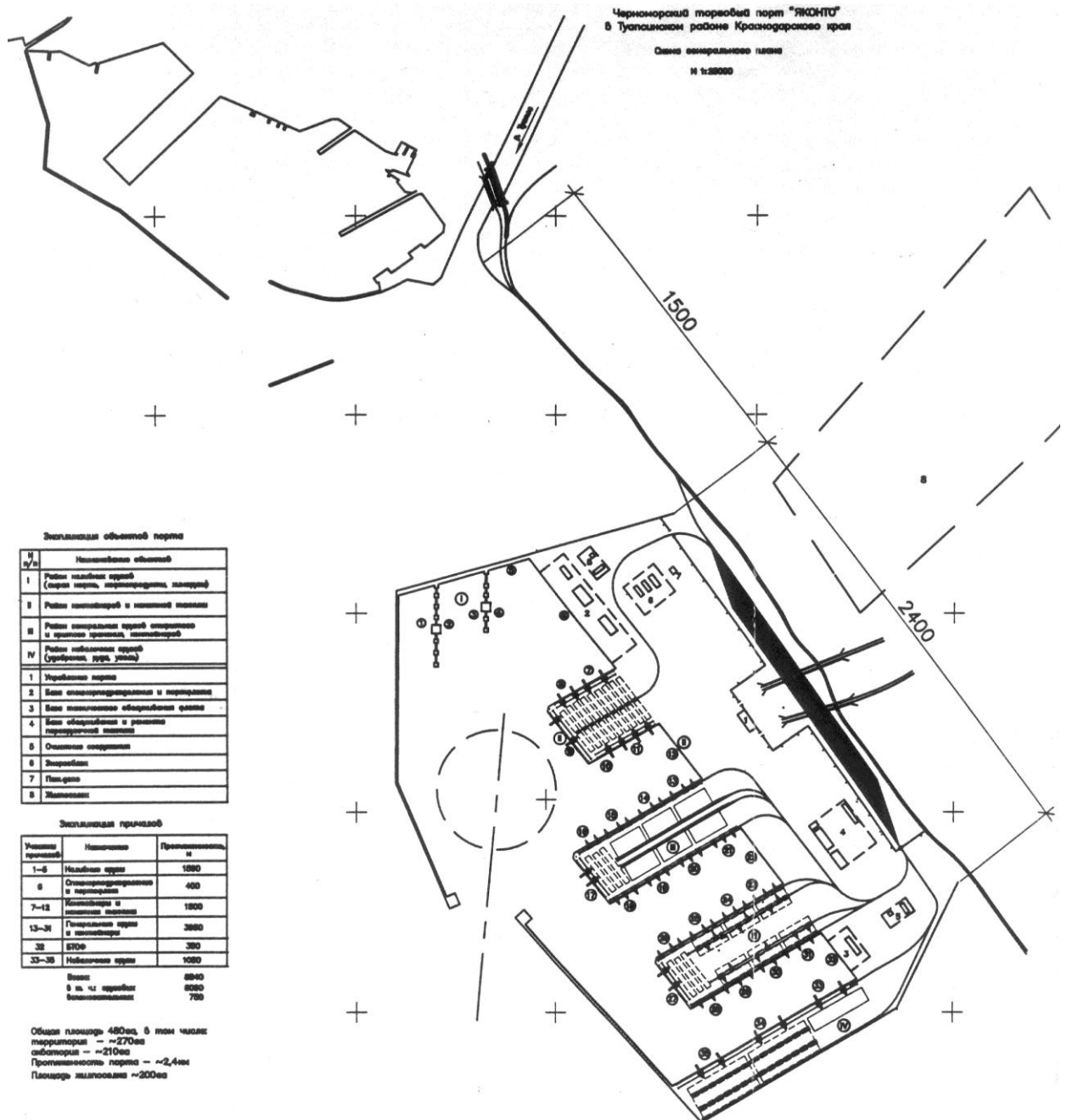
2. Rationale for the construction of the “YACONTO Port”

According to the concept of the YACONTO Integrated Program, the “YACONTO Port” will handle not so much crude oil as oil products and petrochemicals; this corresponds to the interests of Russia’s economic development and creates favorable conditions for its entry into the World Trade Organization (WTO). This concept allows the state to regain its monopoly on the export of crude oil, while non-state enterprises can be provided the right to export oil products and petrochemicals they produce in Russia.

The Tuapse Trade Port (TTP), designed in the late XIX century, was not capable of growing its transshipment capacity to levels that are required at the beginning of the XXI century. Besides, the very presence of TTP in the Tuapse city does not let the seaport extend its territory. That is why the TTP cannot meet Russia’s growing needs for the handling of own and transit cargo and does not meet the sanitary and environmental standards.

Under Terms of Reference of YACONTO LLC from 15.04.2002, Design Enterprise “Soyuzproektverf” of the Federal State Unitary Enterprise “Central Scientific-Research Institute of Shipbuilding Technology” (FSUE CRIST, St. Petersburg) has developed a Declaration (Petition) of 12.11.2002 of Intent to construct, in the Tuapse region of Krasnodar Territory, the “Commercial Black Sea port YACONTO”, with the Explanatory Note and the Scheme of the General Plan of the “YACONTO Port”.

Scheme of the General Plan of the “Commercial Black Sea port YACONTO”



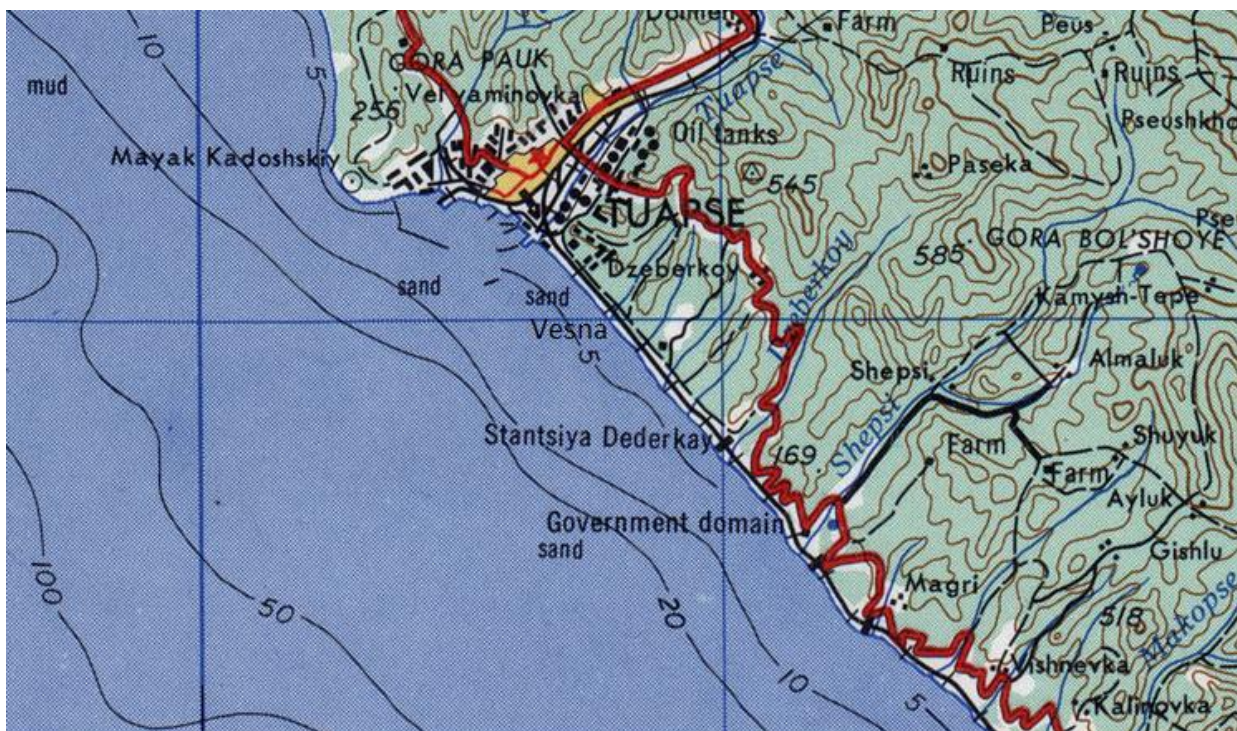
Over the years, YACONTO Integrated Program was substantially refined and supplemented by complementary projects, according to proposals and consultancy provided by interested parties. Taking into consideration the prospects of economic development in Russia, it is proposed to build a larger “YACONTO Port” for the transshipment of over 100 million tons per year.

The “YACONTO Port” with single infrastructure is proposed to be construed in the Shepsie rural area of Tuapse region of Krasnodar Territory, which enjoys necessary and favorable conditions for that: mountainous terrain of coastal territory, which has no recreational, touristic and environmental value; greater depths near the shore; lack of large settlements and significant objects; presence of railways and roads, mild climate and weather conditions, allowing the most efficient and year-round use of the “YACONTO Port” (see Image 4 on page 41, Image 5 on page 42 and Image 6 on page 43).



The “YACONTO Port” will be operating year-round and round the clock.

In order to construct the “YACONTO Port” with respective infrastructure and meet all sanitary and environmental requirements, an allocation of a buffer zone with a total area of 8 km² (not including the Sanitary Protection Zone required according to regulations) with an alienation of a 3.6 km long coastal strip between the settlements of Vesna and Dederkoi is required. The territory of the planned site contains coastal mountains (rock) and hills mostly covered with low vegetation such as Mediterranean xerophytes of lowest IV and VA quality grades, and therefore this site is of no interest to the organization of mass cultural and wellness tourism and recreation.



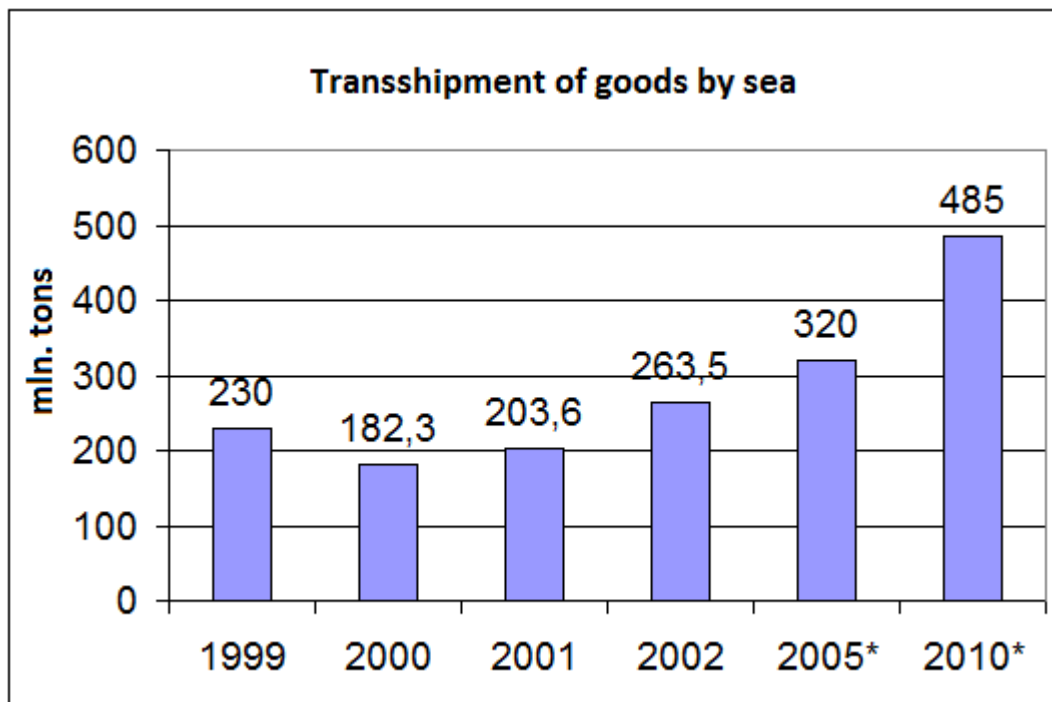
The coastal mountains (rocks) blown up and moved into the sea will serve as building material for the body of the “YACONTO Port”, while the leveled area on their place will serve as the territory of the “YACONTO Port” with production and transport infrastructure where the marshalling yard and the lines of the port railway, communications, technological facilities, land transport, production capacities, container and customs terminals, large consignment warehouses, administrative buildings, miscellaneous buildings, etc will be displaced.

Justification of the transshipment volumes of the “YACONTO Port”

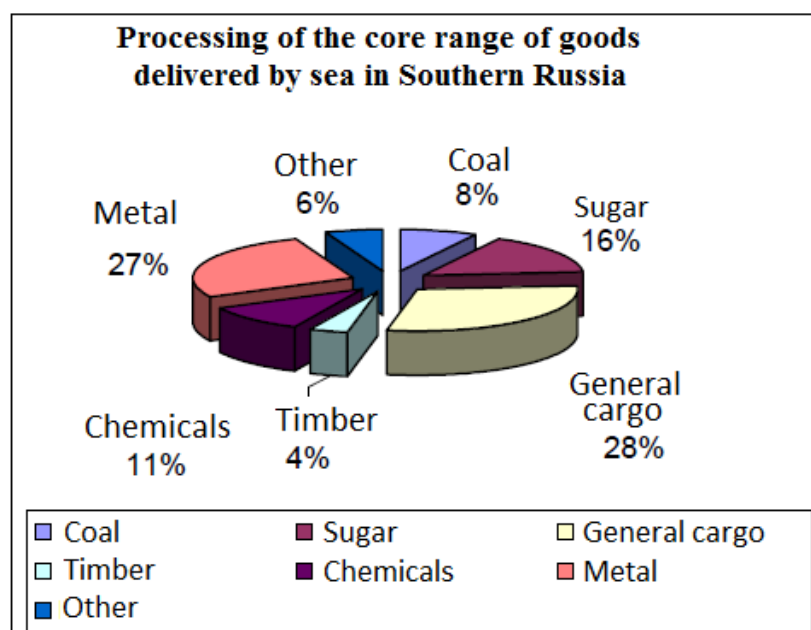
Russia’s demand in transshipment of goods through the Black Sea commercial ports projected for 2015 significantly exceeds the total cumulative volume of transshipment through the Novorossiysk Commercial Sea Port and the TTP despite their upgrade and extension. Therefore, a construction of a major modern “YACONTO Port”, given the expected growth of cargo handling in the decades to come, will help solve the problem of acute shortage of seaport capacity in Southern Russia.

36 berths of the “YACONTO Port” are planned to handle 2 million of large containers, 10 million tons of coal, 5 million tons of cement, 5 million tons of chemical fertilizers, 3 million tons of metal, 2 million tons of timber, 5 million tons of industrial production, 10 million tons of agricultural products (including grain), 5 million tons of compressed and liquefied hydrocarbon gases, 10 million tons of alumina / clay, 40 million tons of crude oil and petroleum products.

The Table shows actual and projected annual volumes for cargo handled by the sea transport in Russia (mln. tons per year).



The claimed data on freight flows is reasonable, since the growth of marine cargo handling due to the increase of Russia’s GDP and growth in handling capacity for cargoes of neighboring countries greatly exceeds the projected capacity of the “YACONTO Port”.



The “YACONTO Port” will handle 60 million tons of cargo per annum by 2014, and over 100 million tons by 2017. The “YACONTO Port” will be capable

of simultaneously loading 5 oil tankers with deadweight of up to 150 thousand tons. Such volumes of transshipment will be made possible due to great depths (up to 20 meters) of the “YACONTO Port” water area, its modern layout, technical equipment and design features as well as favorable geographical and climatic conditions that allow the port to work year round and round the clock.

The “YACONTO Port” will facilitate the transshipment of cargoes via railroad (45%), pipeline (40%) and road (15%), using railway and automobile ferries.

One of the most important and promising areas of cargo transportation that ensures rapid development of world economy, is the extensive use of sea containers and a continuous monitoring of their movements using the space communication systems. The “YACONTO Port” will handle 2 million of 40-foot containers per annum, which corresponds to 53 million tons of cargo, which will be delivered by road and railroad transport. Control over the movement and storage of goods will be conducted on the basis of the Russian satellite navigation system “GLONASS” and other means of transportation security, including the identification and tracking of delivery routes for smuggled goods, weapons and drugs.

Due to its specialization in the handling of containers, the “YACONTO Port” will have practically no rivals in the Southern Basin in the next 30 years, since the existing Russian commercial ports do not possess sufficient technical and storage capabilities for that. Large container and customs terminals of the “YACONTO Port” will meet the modern international standards.

The planned structure of traffic through the “YACONTO Port” will supplement the existing structure of the Southern Russia maritime traffic due to a significant growth of the share of transportation of containers and petroleum products. This is why the YACONTO Integrated Program includes a creation of a major container terminal as well as oil and gas refineries.

Stable supply of grain, drinking quality water, industrial equipment and modern technologies to the Third World countries in exchange for their agricultural products, raw materials and minerals will contribute to the development of Russian industry, agriculture and science.

Being a dual-purpose enterprise, the “YACONTO Port” will have a border and a customs checkpoint, a modern customs terminal as well as a reliable monitoring system for the movement of cargo, including radioactive materials, based on technology developed by the institutes of the Russian Academy of Sciences and the Federal Agency for Atomic Energy of Russia.

The following entities will be attracted to the design works of the “YACONTO Port” and the TNB with their common infrastructure in the first place:

- Design enterprise “Soyuzproektverf” of the Federal State Unitary Enterprise “Central research institute for shipbuilding technologies” (FSUE CRIST, St. Petersburg);
- “Lenmorniiproekt” JSC (St. Petersburg);
- 23-rd State Maritime Design Institute of the Russian Ministry of Defense (23rd SMDI of RF MoD, St. Petersburg);
- 24-th Central Research Institute of the Russian Ministry of Defense (24 CRI of RF MoD, St. Petersburg).

The Message of the Russian President V.V. Putin to the Federal Assembly of 26.04.2007 points out that Russia is a major maritime power, and as such must have a developed sea shipping market, so it is necessary to develop domestic shipbuilding industry and build modern sea ports for the transportation and transshipment of goods, which are still going through foreign ports, causing large economical losses to the State. For many years V.V. Putin demanded from the Government to take steps to remedy the situation, but these President’s demands were never met. He also noted that it is necessary to urgently adopt investment programs for the development of Russian ports and already in 2007 to resolve the issue of registration of land for the creation of port infrastructure, as well as to adopt a law on the establishment of the port area with preferential tax treatment.

Construction and operation of the “YACONTO Port” will ensure:

- improved competitiveness of the Russian merchant fleet;
- increased share of Russian merchant marine shipping companies in the total traffic volume of national foreign trade and transit goods;
- modernization of the domestic merchant fleet, reduction of the average age of vessels controlled by Russian shipping companies, and building new vessels that correspond to international standards;
- merchant fleet shipbuilding on domestic enterprises;
- significant replenishment of the merchant fleet with marine vessels of core classes, including those for the transport of containers and specialized cargo, in order to satisfy the country’s demand in freight transport, taking into account the possible transfer of the ships to the Russian Navy in the period of mobilization;
- accelerated development of coastal and port infrastructure, taking into account existing and future traffic volumes, conditions of cargo and transit traffic;
- increased share of Russian ports in the processing of cargo;
- comprehensive use of floating plants and other vessels for the cultivation and protection of fish in the seas and oceans on a commercial scale with its subsequent catching, processing and delivery of fish and other marine products to the destination point of selling and distribution;
- development of a modern scientific and industrial base for the exploration of the use of the seas and oceans in agricultural and industrial purposes,

including search and exploration of mineral resources;

- development of multimodal transport of goods involving maritime and other means of transport on the basis of modern technology.

Payback period of the “YACONTO Port” itself, calculated based on revenue coming solely from transshipment of cargo, disregarding the effect of other infrastructure components listed in the YACONTO List of projects from 09.05.2005 will not exceed 6 years.

3. Justification of the establishment of a Tuapse Naval Base

The development of spaces and resources of the World Ocean is one of the most important directions of development of the world civilization in the third millennium. Leading maritime powers and most states of the international community are aimed at conducting independent activities in the inevitable competition and cooperation in the development of the oceans.

Naval activities to protect and promote national interests and security of Russia in the World Ocean are classified as top government priority. Sea transportation is critically important to Russia, both for domestic traffic, and for implementation of its foreign trade. The policy of military building must necessarily be linked to the programs of socio-economic development of Russia.

In order to protect its national interests and manage its resources freely, Russia must restore and strengthen its position as a maritime power in the world.

According to the agreement of 1997 between Russia and Ukraine, the Russian Navy’s stay in Sevastopol is secured until 2017. After the withdrawal of the Black Sea Fleet (BSF) of Russia from Ukraine, the latter will be eligible for joining NATO. NATO leaders declared the need for long-term strategic partnership and cooperation with Russia. This allows us to offer NATO to take decision on co-location of ships and vessels of the NATO Navy and the Russian Black Sea Fleet in Sevastopol. In this case Russia will be able to commit to withdraw a part of the Black Sea Fleet to its territory, and deploy them in the Novorossiysk naval base (NNB) and the Tuapse Naval Base (TNB) under option 1 or 2 respectively in accordance with the YACONTO List of Projects of 09.05.2005 and this YACONTO Explanatory Note.

Establishment of the TNB as the main basing point will contribute to solving the following important tasks faced by Russia:

- preservation of Russia’s sovereignty and its territorial immunity against aggression from southern sea directions;

- maintenance of security, strategic and regional stability in border areas and the Black and Azov seas adjacent to Russian territory;

- creation of conditions for naval activities and development of defense infrastructure in the region;
- maintaining and strengthening the combat capability of the Russian Navy, as well as mobilization readiness of trade, fishing, scientific research and other specialized fleets;
- ensuring the safety of sea shipping;
- creation of conditions for the deployment of ships and utilization of maritime potential that ensures the protection of sovereignty and of Russia's sovereign and international rights in the Black and Azov seas;
- creation of conditions for the Marine units of the Federal Security Service Border Troops to coordinate the activities of federal agencies engaged in the protection of inland waters, territorial sea, exclusive economic zone and continental shelf of Russia and its natural resources;
- creation of favorable conditions for the attraction of extra-budgetary sources of funding, including foreign investors, by improving the legal framework and the earmarked state support of investment projects;
- guaranteed allocation of necessary volumes of funding for the state programs in the field of construction and development of the military component of Russia's maritime potential.

The new basing system of the Russian Black Sea Fleet should be expanded and must provide stationing to the naval forces in peacetime and wartime, repair, comprehensive logistics, technical and special maintenance, warehousing of inventory and equipment, developed infrastructure, comfortable living conditions for servicemen and their families, persons engaged in providing needs of the naval base, a universal defense for the forces stationed in these bases (including the TNB) and a connection to a single universal system of national security of the south-western region of Russia.

Strategic and tactical evaluation of the possible stationing points for the Black Sea Fleet forces on the territory of Russia shows that the new basing system of the Black Sea Fleet should have a stationing point in the city of Novorossiysk and a new stationing point south-east of the Tuapse city located between Dederkoi and Shepsie settlements, or between Shepsie and Vishnevka. The final decision on the location for the new naval base must be taken by the Russian Ministry of Defense and aligned with the Administration of Krasnodar Territory, taking into account the guaranteed funding offered by YACONTO LLC in the framework of the implementation of the YACONTO Integrated Program.

The TNB, due to its favorable geographic location in the centre of the Russian Black Sea coast, allows organizing an effective defense, not only from the sea, but also ashore in case of aggression of potential adversary from the territory of Ukraine and Georgia. Meteorological, hydrographic, hydrological and seismic

conditions do not prevent the TNB construction works and its normal functioning in future. The presence of the city of Tuapse near the TNB will provide additional opportunities to utilize various elements of the city's infrastructure for the needs of the TNB in case of emergency. A ship repair base currently available in the in the Tuapse Trade Port (TTP), as well as floating workshops and floating plants withdrawn from Sevastopol should be immediately drawn to address the needs of the Russian Black Sea Fleet, combined into a single ship repair complex for warships and civilian vessels. In the future, port facilities of the TTP will be upgraded and a stationing point for 3rd - 4th rank ships will be established.

Construction of the stationing point on Cape Kadosh is inappropriate due to adverse hydro-meteorological conditions and due to presence of state protected natural area of global significance in the area. This area can be equipped only with firing zones and positions for coastal missile and artillery troops of the Black Sea Fleet of Russia without compromising the unique conservation area.

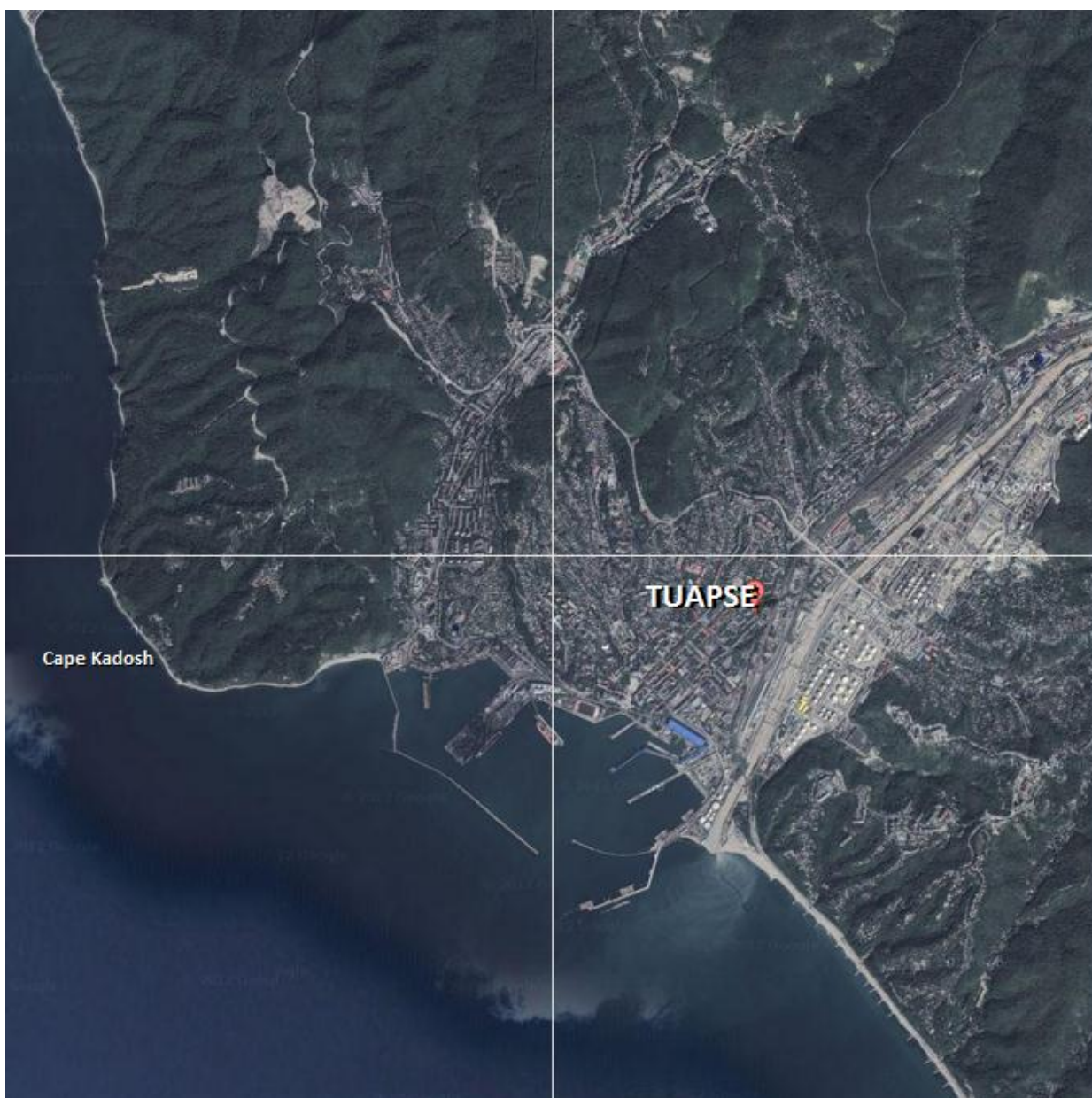
Russian Ministry of Defense is interested in attracting major funding from third-party organizations for the implementation of the Federal targeted program "Creation of the basing system for the Black Sea Fleet on the territory of Russia for the period of 2005 - 2020". However, an analysis has shown that due to the unfavorable situation around the Black Sea Fleet, artificially injected by destructive forces, in order to ensure the defense and security of Southern Russia it is necessary to make adjustments and additions to this Federal program, taking into account the proposals set out in the YACONTO List of Projects of 09.05.2005. The non-standard approach designed by YACONTO LLC allows optimally combining the solution of socio-economic and military problems, reacting quickly to the change of geopolitical factors and greatly simplifying the solution of problems faced by the Russian Ministry of Defense. The volume of equity participation of the Russian Ministry of Defense will be determined and rapidly adjusted in accordance with its actual capabilities of target funding and participation in the implementation of the Integrated Program. This will allow making the most efficient use of the budget allocated to the Black Sea Fleet by redistributing those funds for the construction of forward bases, including TNB, and modern warships.

The defense and security of Russia directly depends on its socio-economic development. Establishment of a TNB as the main basing and repair point for the Black Sea Fleet ships should not be hampered by political games of short-sighted and corrupt officials. Waging intrigues around the base of the Russian Black Sea Fleet in Sevastopol, these functionaries seek not to withdraw Russian warships from the territory of independent Ukraine, but rather to destroy them through retirement and sale at the price of scrap metal. At the same time they prevent the creation of a powerful modern basing system of the Black Sea Fleet on the Russian territory, without which Russia definitively loses its military and strategic

ability to influence political and economic situation in the states of the Azov-Black Sea, Mediterranean Sea and in other parts of the world.

YACONTO LLC proposes two options of the creation of the TNB:

First option: TNB is created on the territory of the Tuapse Trade Port (TTP) and other enterprises located in the coastal zone of the water area of the TTP according to the Scheme of the general plan, providing for the reconstruction and expansion of the water area of TNB. This proposal is substantiated by the fact that the TTP is located in the heart of the city of Tuapse and therefore has no opportunities for large-scale development, cannot deal with the increasing freight volume coming through the town and cannot accept modern large-capacity commercial vessels due to insufficient depth of the fairway (up to 13 meters).



Transition of the territory of TTP to the Russian Ministry of Defense will allow to carry out a capital reconstruction of TTP into TNB and to eliminate the effect of “tyagun”, fixing the design flaws of TTP made in the late XIX century, as well as significantly expand the water area of the newly created TNB, as proposed in the Program of YACONTO LLC to build a Tuapse base of the Russian Navy from 08.10.2001 and the Layout of the Russian Navy base from 08.10.2001 and supported.

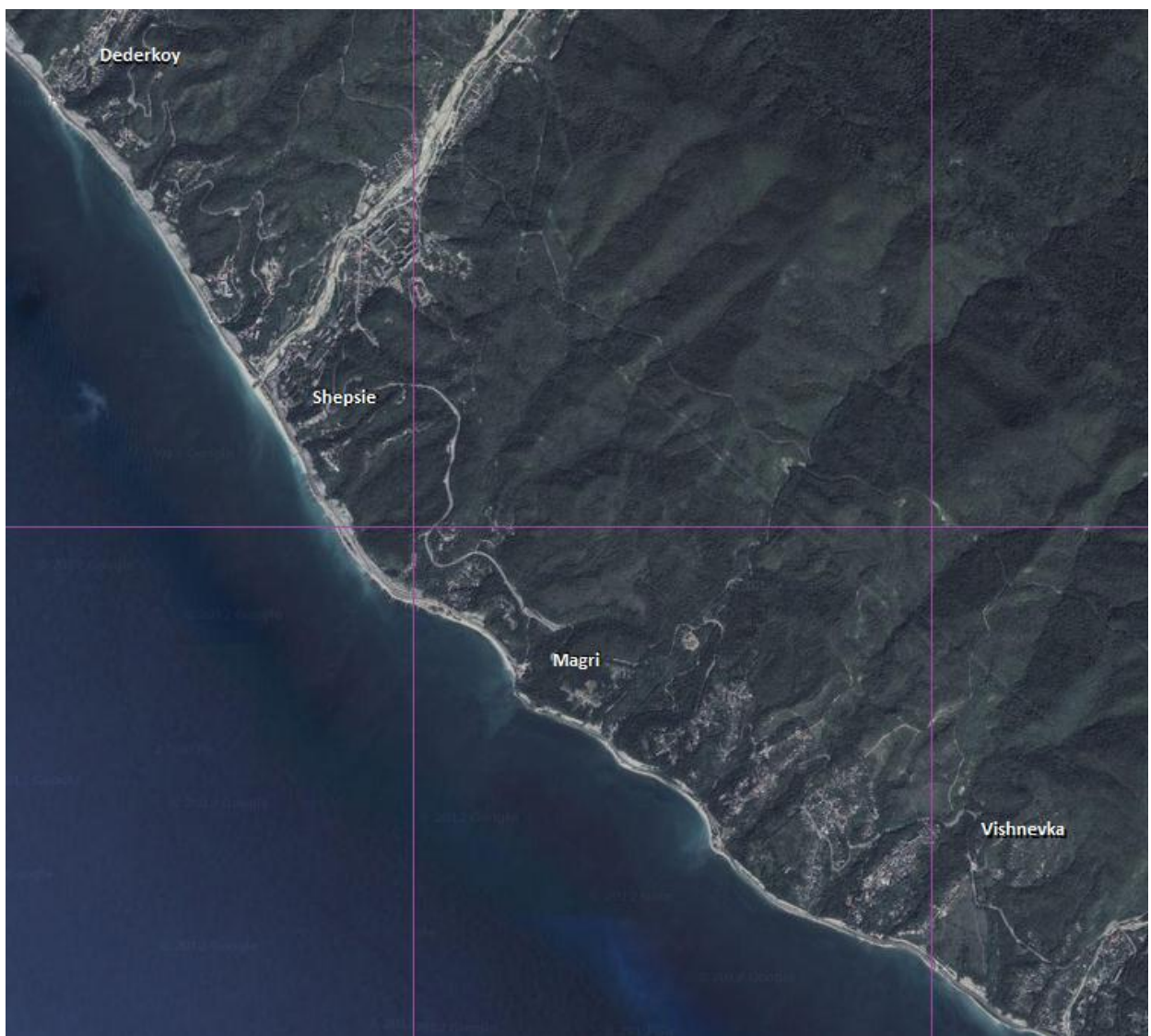
To ensure the activities of the TNB on the territory formerly belonging to the TTP, the Russian Ministry of Defense should obtain the entire territory of the Tuapse city or a part of it limited by the federal highway. Most of the townspeople will be resettled to new modern and comfortable neighborhoods with all necessary infrastructure in Tuapse itself or Tuapse district near the settlements of Vesna, Dederkoi and Shepsie. Construction of new microdistricts is more socially and economically justified than investment of large material resources in repair and reconstruction of obsolete communal services and housing of the city of Tuapse. In addition, the “YACONTO Port” and its infrastructure will provide jobs for resettled residents of the city of Tuapse.

After the civilian population is resettled, the city of Tuapse will be transferred under the jurisdiction of the Russian Navy to house officers, warrant officers, petty officers, sailors, civilian specialists and their families. The city of Tuapse will be reconstructed to meet the needs of the TNB; old and useless houses, buildings and facilities of Tuapse city will be pulled down.

Second option: the TNB can be established in the Tuapse region of Krasnodar Territory (south-west of the Tuapse city) on coastal mountainous areas of no ecological value and unsuitable for mass recreation and tourism either between the settlements of Dederkoi and Shepsie, with the alienation of 2.3 km of coastal line, or between the settlements of Shepsie and Vishnevka with the alienation of 3.8 km of the coastline. Merging both into a single TNB territory with the alienation of 6.1 km of coastline is also an option.

Construction of the TNB on terms of the second option requires unequipped coastal mountainous territories, whose characteristics are similar to those of the territory proposed for the construction of the “YACONTO Port”. The said territories contain coastal crags and hills mostly covered with low vegetation such as the Mediterranean xerophytes of the lowest IV and VA quality grades. These territories are unsuitable for the organization of mass cultural and wellness tourism and recreation. At the same time, it only requires to relocate several hundred local residents to new comfortable districts with necessary infrastructure in the Tuapse district near settlements of Vesna, Dederkoi, Shepsie or in the Tuapse city. The second option completely excludes the possibility of negative impact

of the operation of the “YACONTO Port” on the TNB, reconnaissance activities over the Russian Black Sea Fleet and the impact on the operational mode in the TNB area by foreign vessels entering the “YACONTO Port” as well as excludes grave consequences in the event of a sabotage against oil and petroleum storage facilities. The Tuapse region has no disadvantageous hydro-meteorological, hydrographical, hydrological and seismic conditions, as well as no gales like **bora**, which could compromise the security of stationing and sailing of the warships and vessels of the BSF. Moreover, those variants of the basing of the BSF forces will ensure complete protection of all facilities of the YACONTO Integrated Program, Tuapse region and the city of Tuapse from military and terrorist acts from the sea (see Image 4 on page 41 and Image 5 on page 42).



Removing the rock by means of directed explosions would provide means for creation of an artificial harbor of right size and depth for the TNB water area and thus solve the question of the main basing point of the Russian Black Sea Fleet.

This rock will be used for the following purposes:

- expansion of the Black Sea coastline and creation of constructions protecting the bank from erosion and shore cutting;
- creation of artificial coastal land and islands for the construction of world class sporting, touristic, wellness facilities and resorts on the Black Sea coast;
- production of cement out of marl contained in the rock;
- building a new high-speed highway;
- relocation of the railroad inland from the Black Sea coast;
- supplying the «SOCHI-2014» Winter Olympics construction with raw materials and other supplies.

For large-scale demolition works on the coastal mountains for the construction of the “YACONTO Port”, the TNB and their infrastructure it is proposed to utilize ammunition, currently stored in the Russian Defense Ministry warehouses in Transnistria and Ukraine, which is subject to destruction.

The YACONTO List of Projects of 09.05.2005 provides for the establishment of a basing system for the Russian BSF in the city of Tuapse, or in the Tuapse region in the period from 2008 to 2017, taking into account existing and projected needs of the Ministry of Defense of Russia as a whole.

The TNB will be included in a single structure of naval basing points of the Black Sea Fleet, and in geopolitical sense will become an important outpost of Russia in the Azov-Black Sea basin, able to provide real assistance to the special services and law enforcement bodies of Russia in their fight against terrorism and in blocking the channels of illegal trade of arms, drugs, smuggled goods, as well as to provide control over marine caravan ways and a security escort to Russian merchant ships, protecting them from armed robberies and illegal detentions.

Design and construction of the TNB and its infrastructure will be carried out at the expense of extrabudgetary assets attracted by YACONTO LLC according to a specially developed scheme. Design and construction organizations licensed by the Russian Ministry of Transport will be involved in design and construction. After the commissioning of the facilities of the TNB and its infrastructure on the acts of acceptance, the state will compensate the extrabudgetary funds. Compensation can be performed both in cash and other state-controlled resources on mutually beneficial terms.

The Black Sea coast of Krasnodar Territory is not just an area of socio-economic development of Southern Russia, but also the busiest border area in the North Caucasus, as well as a particularly demanding area of defense and safety of Russia in the Azov-Black Sea basin and a zone of Russian influence in the Mediterranean.

4. Accompanying complementary dual-use facilities included in the YACONTO Integrated Program:

- **Shipbuilding plant** for the construction of modern ships and ferries of various types and amounts of displacement for the merchant fleet assigned to the “YACONTO Port” and building of warships and vessels for the Russian Black Sea Fleet. The shipbuilding plant will be placed in the artificial harbor created for TNB area.

- **Shipyard** for repair of ships and ferries of the merchant fleet and of warships and vessels of the Russian Black Sea Fleet. The shipyard will be placed in the artificial bay created for TNB area.

- **Cement plant** for the production of over 6 million tons of quality cement per year from marl contained in the rock, extracted during the creation of an artificial bay for the water area of the TNB and the construction of the “YACONTO Port”. The cement plant will be built at a distance of 8 km from the town of Tuapse, and at a distance of 5 km from the coast.

- **New oil refinery** with a processing volume of more than 20 million tons per year in Shepsie rural area of Tuapse region at a distance of 2.5 km from the border of the Tuapse city, and at a distance of 5 km from the Black Sea coast. The existing “Oil Company Rosneft - Tuapse oil refinery” LLC is located in the city center within 100 meters from residential buildings and within 1.5 km from the Black Sea coast, in violation of all environmental regulations. The new refinery will produce high quality fuels and lubricants in sufficient quantities to completely satisfy the demand of the region, commercial and military ships and for export.

- **New large storage of petroleum products** in the Shepsie rural area of Tuapse region at a distance of 3.5 km from the border of Tuapse city, and at a distance of 5 km from the coast. The existing “RN-Tuapsenefteproduct” LLC is located in the city center within 100 meters from residential buildings and within 250 meters from the Black Sea coast, in violation of all environmental regulations.

5. Interrelated infrastructural dual-use facilities that are included in the YACONTO Integrated Program:

- **Railway system** designed to service the facilities identified in the YACONTO Integrated Program; it is proposed to construct new railway lines, bridges and tunnels (including 4 km between the Krivenkovskaya station and the “YACONTO Port”), communications, marshalling yards, access roads, as well as expansion and reconstruction of existing rail facilities.

- **High-speed multilane highway** from the town of Goryachi Klyuch either to the Vishnevka settlement (70 km long) or to the Shepsie settlement (65 km long) in addition to the existing, overloaded 135 km long federal highway

(M4 and M27 sections) from the town of Goryachi Klyuch through Dzhubga and Tuapse in the direction of Sochi. The new highway will provide transportation of goods of the “YACONTO Port” and withdrawal of transit transport from the coastal resorts area on the 75 km long segment of the federal highway Dzhubga - Tuapse - Sochi.

- **Generating complex** designed to completely supply all the facilities of the YACONTO Integrated Program, residents of Tuapse region and the city of Tuapse with own electricity and heat; it is planned to construct a combined thermal power and other energy facilities.

- **Oil pipeline** to supply the new oil refinery with crude oil and for the transportation of oil through the “YACONTO Port”. The pipeline will take the optimal route; the possibility of laying it along the new highway from the town of Goryachi Klyuch to the Shepsie settlement is not excluded.

- **Gas pipeline** to completely supply the combined power plant and all other objects of the YACONTO Integrated Program, residents of Tuapse region and the city of Tuapse with gas. The pipeline will take an optimal route; the possibility of laying it along the new highway from the town of Goryachi Klyuch to the Shepsie settlement is not excluded.

- **Water supply and a pumping station** to supply the facilities of the YACONTO Integrated Program, residents of Tuapse region and the city of Tuapse with drinking quality water.

- **Housing and administrative complex** to provide comfortable housing and infrastructure to the resettled residents of Tuapse region, the city of Tuapse, as well as invited professionals, military personnel and their families.

- **Sewage treatment plants** for treatment of the wastewater of Tuapse region, the city of Tuapse and objects of the YACONTO Integrated Program, including a pumping station for discharge of treated water into the Black Sea by pipeline, within a long distance from the coast in accordance with the regulations.

- **Waste treatment plant** for recycling and disposal of the production and life waste.

- **Mounding of the coastline of the Russian Black Sea coast** for its expansion and installation of constructions protecting the coast from erosion and shore cutting, using the raw materials extracted from the rock during the construction of the “YACONTO Port” and the creation of an artificial bay for the water area of the TNB and the objects of the YACONTO Integrated Program.

Additional information on the individual and accompanying infrastructural projects of the YACONTO Integrated Program

Plan of the YACONTO Highway and the new railway segment



- Existing motorway
- YACONTO Highway
- Existing railway segment
- New railway segment

In order to ensure the effectiveness of operation of the “YACONTO Port” itself, it would have been sufficient just to build a new 22 km long railway segment between the Krivenkovskoe and Shepsie villages and connect it to the existing main railroad line in the direction of Adler, which would have taken care of all cargo transportation without entering Tuapse. It would have allowed to construct a railroad branch from Shepsie area directly to the “YACONTO Port” and to connect it to a railway junction of the Tuapse city through the Black Sea coast, thus creating a railroad ring. However, YACONTO LLC proposed a larger scale project for socio-economic development of Southern Russia and in order to achieve a synergy effect of complementary projects. YACONTO LLC has developed a new 100 km long railway route between the cities of Tuapse and Adler instead of the existing single-track railway segment along the Black Sea coast, and submitted it to the “Russian Railways” JSC for review and approval in early 2004. Institute of technical and economical feasibility studies and design of railroad transport GIPROTRANSTEI of “RZhD” JSC and the Krasnodar branch of the North Caucasian railway, in their letters № 01-15/84 from 25.03.2004 and № 92 from 29.04.2004 respectively, confirmed the relevance and interest in the implementation of the relocation of the railroad segment by 5 - 12 km further from the coast, as proposed by YACONTO LLC. In spring of 2006, Russian President V.V. Putin supported this route in his public statement.

45% of cargo handled by the “YACONTO Port” will be transported by means of a railroad. “Russian Railways” JSC is planned to be involved in the implementation of the YACONTO Integrated Program, and in particular, in the relocation of the railroad of Tuapse - Adler direction from the Black Sea coast deeper into the territory of Krasnodar Territory.

Today the Krasnodar Territory has no modern multi-lane highway through the North Caucasus Mountains to the Black Sea and through the resort area of Big Sochi to the border with Georgia, which would have provided substantial uninterrupted traffic and mass transport of passengers. In this regard, YACONTO LLC has developed and added to the YACONTO List of Projects from 09.05.2005 a project for the construction of a straightened modern high-speed multi-lane highway: either 70 km long, turning from the M4 federal highway near the town of Goryachi Klyuch and entering the M27 federal highway towards the city of Sochi near the Vishnevka village of the Big Sochi district (in the case of a political decision to build the TNB), or a 65 km long section of the M27 federal highway near the administrative border of Tuapse region and the and Big Sochi district behind the Shepsie village (if the TNB is not to be constructed). This reduced segment bypassing the Tuapse city would support the necessary cargo flow of the “YACONTO Port” and the mass transportation of passengers in the direction of Sochi. In addition, in the interests of the state and the Krasnodar Territory, there

has been developed a project for stretching the straightened motorway from the Vishnevka village through the Big Sochi to the border with Georgia along the new route of the railway proposed by YACONTO LLC. In its letter № 07/1796 from 30.05.2003, Department of Federal Highways in the Krasnodar Territory of the Rosavtodor of Russian Ministry of Transport supported the YACONTO Integrated Program as a whole, including the construction of the sections of modern highways proposed by YACONTO LLC, and confirmed its willingness to participate in its implementation. This highway will create favorable conditions for intense socio-economic development of the Krasnodar Territory and will provide transportation of goods through the “YACONTO Port” by means of container trucks, refrigerated trucks and other large-capacity vehicles.

In addition to the construction of the core objects - the “YACONTO Port” and the TNB with their single infrastructure, the YACONTO Integrated Program proposes, as an option, to solve the socio-economic and ecological problems of the Tuapse city through a total reconstruction of the “Oil Company Rosneft - Tuapse oil refinery” LLC and the “RN-Tuapsenefteproduct” LLC, which are affiliated to Oil Company “Rosneft” JSC, using newest technologies. Full reconstruction of these facilities, carried out in compliance with all sanitary and environmental requirements, will increase the volume of crude oil processing and petroleum product exports by several times, as well as provide the needs of warships and civilian vessels in fuel. A new large diameter pipeline for the transportation of crude oil, built by Oil Company “Transneft” JSC, will ensure full utilization of these businesses and free up the railway towards the town of Tuapse for the delivery of dry cargo, which will dramatically increase the amount of handling of those goods through the large modern “YACONTO Port”.

Thus, the implementation of the YACONTO Integrated Program is fully consistent with the interests primarily of “RZhd” JSC, Oil Company “Rosneft” JSC, Oil Company “Transneft” JSC, their shareholders and the state, which owns controlling stakes in these companies, as well as residents of the city of Tuapse and Tuapse region.

The YACONTO List of Projects of 09.05.2005 includes a non-state investment Program “Apsheron valley”, designed to be implemented in the Apsheron district of Krasnodar Territory as an independent pilot project on providing comprehensive accommodation for discharged soldiers of the Russian army and navy, construction of modern agricultural complex, as well as luxury sports and wellness complex for recreation and tourism. The Program, developed and carried out by “Apsheronskaya dolina” LLC, corresponds to the Federal targeted program for providing the population with affordable housing, development of agriculture, reforming health care and education, and corresponds to the Russian President’s Decree № 637 of 22.06.2006 “On measures to assist the voluntary resettlement

of compatriots living abroad to the Russian Federation”.

6. Justification of the single plan of socio-economic development of Tuapse region and Tuapse city

The length of the Black Sea coastline of Tuapse region from the Dzhubga settlement through Tuapse to Sochi city is more than 75 kilometers.

The city of Tuapse is situated on the Black Sea coast of Krasnodar Territory at the bottom of a large natural bowl, surrounded on three sides by high ridges of the Great Caucasus mountain range, is sandwiched in a valley between the rivers Tuapse and Pauk and has an area of 23.6 km² and a population of 64'000 people. Within the city, on both sides of the Tuapse River, environmentally harmful and hazardous enterprises are located. Two major volatile facilities are situated practically in the centre of the Tuapse city: “Oil Company Rosneft - Tuapse NPZ” LLC (refinery) and “RN-Tuapsenefteproduct” (tank farm), surrounded by other equally hazardous enterprises: Gorgaz with a gas storage; a gas filling station (GFS), oxygen gas filling station, oil storages of “Neftebaza Zarechye Chernomortransneft” JSC, a concrete products plant, emitting cement dust into the atmosphere, the Tuapse railway marshalling yard, which always hosts multiple trains simultaneously (each of them carrying thousands of tons of oil products). The oil refinery is currently being reconstructed, which will increase the volume of oil processing from 4 to 12 million tons per year. According to the enterprise’s development plan, the range of finished products is expanding, including petrochemicals (light oil, sulfur, gas, etc.); as a result, the Tuapse refinery becomes petrochemical. Explosive potential of the oil industry enterprises is increasing day by day. On top of the existing reservoir yard with a cumulative volume of 500 thousand tons of crude oil and petroleum products stored simultaneously, due to the reconstruction of the “Oil Company Rosneft - Tuapse NPZ” LLC, several more 50 thousand ton reservoirs will be installed within less than 100 meters from residential area. Despite of that, within 50 meters of the existing tank farm “RN-Tuapsenefteproduct” LLC, a terminal for the transshipment of 5 million tons of liquefied gas annually is planned to be constructed. Drain overpass for petroleum products of “RN-Tuapsenefteprodukt” LLC is located in close proximity to the passenger platform of Tuapse station and near the central city market and shopping center. A vast area of contamination of soil and groundwater with oil and petroleum products has formed at the mouth of the Tuapse river and the adjacent territory - the so-called “oil lens” which pollutes the sea.

The TTP with volume of transshipment of over 20 million tons per annum, located in the city area within less than 100 meters from residential area is another source of pollution. Transshipment of polluting cargo (coal, grain, chemical fertilizers, sugar) from open dry cargo berths leads to extremely high concentra-

tions of organic and chemical substances: 16 - 25 times the maximum permissible discharge (MPD) according to BOD, and 33 - 42 times for suspended solids. At the same time, a significant amount of harmful substances such as coal, sugar and grain dust, dust of mineral fertilizers and heavy metals (zinc, iron, copper) is emitted into the air and seawater. Emission of toxic substances (hydrogen sulfide, hydrocarbons) into the atmosphere when loading tankers exceeds the maximum permissible concentration (MPC) 2 - 9 times due to the lack of coastal systems of collection and recuperation of vapors of oil and petroleum products.

An “offsite session” of the Commission for national maritime policy of the Federation Council, where environmental problems of the Tuapse city were discussed, took place in the Tuapse city on 21.03.2007. The materials submitted to the Commission include the evidence of existence of an “oil lens” in the TTP water area, from which 1.5 million tons of crude oil has been collected; a number of valid questions - where is the oil coming from, who appropriates it, where does he sell it to and at what price - are being hushed up.

In recent years, protests of public organizations against the expansion of the old and construction of the new environmentally hazardous industrial and transportation companies in the city of Tuapse are growing in this resort town. The Governor of Krasnodar Territory A.N. Tkachev also expressed his concern about environmental problems of our city on his meeting with the people of Tuapse city and Tuapse region: «... I also want to mention an issue that literally does not let the thousands of residents of Tuapse breathe and live like human beings: the environmental condition. Devil-may-care attitude to this topic for decades has led to the fact that today there’s almost more oil than seawater in the port area. Ignition of the sea surface has become commonplace. The air of the seaside city is also contaminated with coal dust and oil fumes. All actions of the local authorities to protect the unique nature are a drop in the ocean. If we do not raise this problem bluntly - tomorrow we get an environmental catastrophe. And the consequences will be irreversible ...» («Tuapse news» newspaper № 146-147 from 28.07.2007, article «One formula for happiness for the two of us»).

Main activities under the YACONTO Integrated Program for bringing back the resort town status to the Tuapse city:

- Withdrawal of transit automobile transport from Tuapse city by constructing a new high-speed highway from Goryachi Klyuch to Shepsie (or to Vishnevka, which is a part of the Big Sochi agglomeration), which will bypass the Dzhubga settlement and the Tuapse city.

- Dismantling of industrial facilities, including the reservoir yard and the pipeline communications of the “Oil Company Rosneft - Tuapse NPZ” LLC, located in the centre of the Tuapse city within 100 meters from residential area

and within 1.5 km from the Black Sea coast.

- Dismantling of the reservoir yard and pipeline communications of the “RN-Tuapsenefteprodukt” LLC, located in the centre of the Tuapse city within 100 meters from residential area and within 250 meters from the Black Sea coast.

- Withdrawal of all environmentally hazardous enterprises from the Tuapse city.

- Recultivation of land of the dismantled facilities.

- Building a modern residential area with infrastructure on the recultivated territories of the dismantled facilities for the resettlement of residents from dilapidated housing of the Tuapse city.

- Dismantling of the old quarters and communications in the city of Tuapse and construction of modern housing estates with infrastructure in their place.

- Elimination of the Tuapse Trade Port and, after a major reconstruction, creation of a modern water sports complex with a world-class yacht club on its premises.

- Establishment of a technical and a Naval academy in order to supply the “YACONTO Port”, TNB, merchant fleet and the Navy, as well as infrastructure of the YACONTO Integrated Program, with qualified personnel.

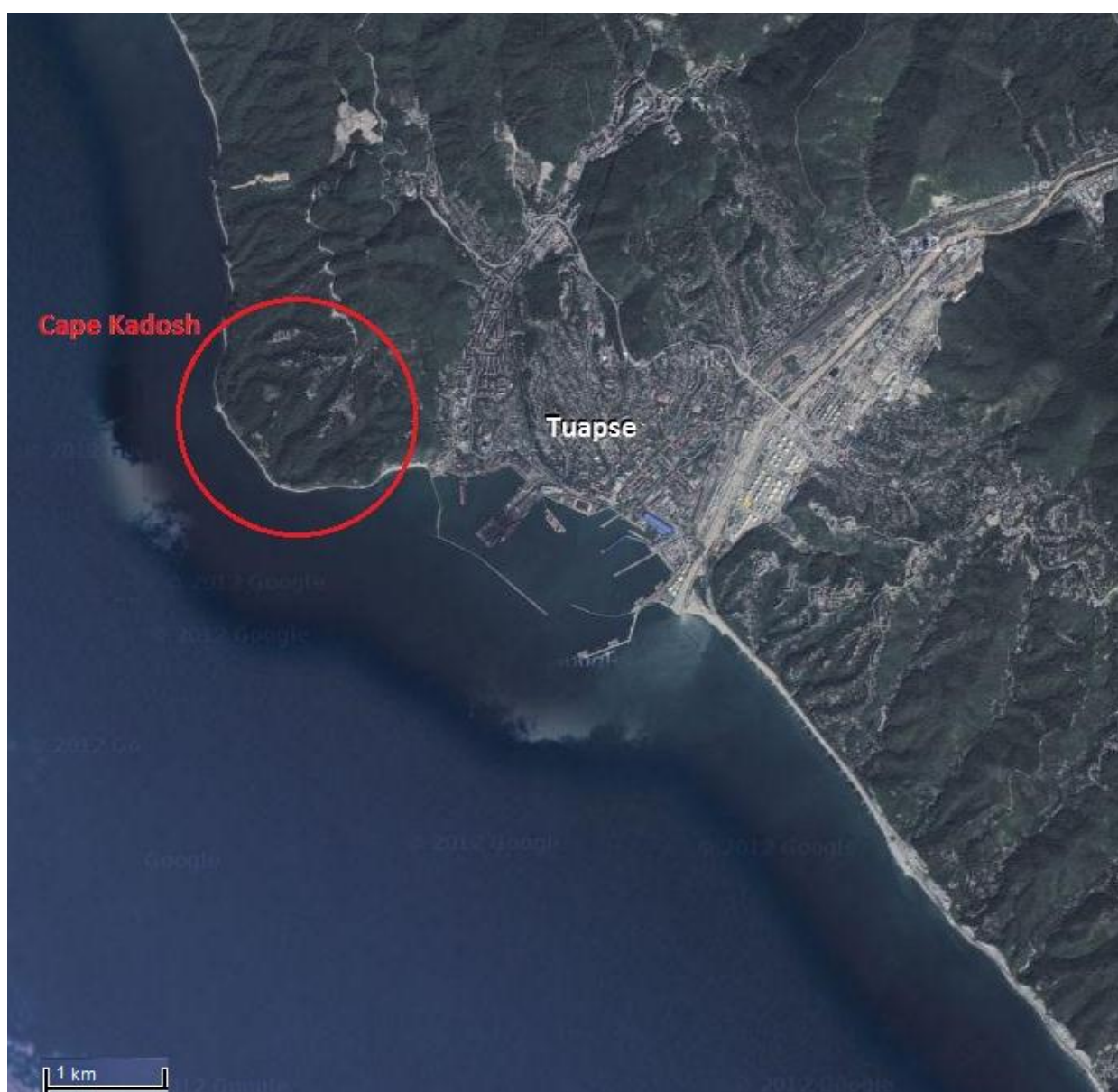
Simultaneously with the construction of the “YACONTO Port” and the TNB as the main basing and repair point for the Russian Black Sea Fleet warships with their single infrastructure, a General plan of socio-economic development of Tuapse region and Tuapse city as a single administrative and economic complex will be developed and proposed for implementation.

7. Alternative options of the construction of commercial seaports and basing points for the Russian Black Sea Fleet ships

Comparative data contained in the Table 1 (“Comparative data for commercial ports of Russian Black Sea, both operational and proposed for construction”) from 28.04.2004, based on official data, provides a reason to believe that the YACONTO Integrated Program for the construction of the “YACONTO Port” and the TNB with their single production, transport and social infrastructure is the most timely and scalable program for socio-economic development of Krasnodar Territory and for ensuring Russia’s defense and security in the Azov - Black Sea basin.

The “Kadosh option”, an alternative to the “YACONTO Port” was to expand the TTP at the expense of the public protected area of Cape Kadosh and to reserve just a small part of the water area for the basing point for the Black Sea Fleet warships, which did not solve the basic problem of the creation of a naval base on the Black Sea coast of Russia as the main basing point for the BSF. The TTP itself has fundamental disadvantages from ecological and economical perspective and fails to comply with the terms of security of maritime activities, taking into

consideration local natural features (presence of the phenomenon of “tyagun” - vibrational motion of water causing cyclic movement of vessels; long-period underground waves reflected from one vertical wall to another). The “Kadosh option” also proposes to eliminate the protected forested areas and natural monuments in the city of Tuapse (60% of the port area) and Tuapse region (40% of the port area). Even the creation of additional capacities on the territory of the TTP itself will not provide an opportunity to expand the cargo transshipment to volumes sufficient for catching up with Russia’s economic development in the nearest years; moreover, it will worsen the already precarious sanitary and environmental situation in the city of Tuapse (see Table № 1 of 28.04.2004). In addition, the simultaneous activity of TTP and the TNB will not be possible.



Opponents of the “YACONTO Port” claim that its construction would damage the environment of Tuapse region, whereas the construction of a commercial

sea port at Cape Kadosh and the reconstruction of TTP will be meeting all sanitary and environmental standards and requirements. Those unsubstantiated statements are contradicted by totally opposite data presented by YACONTO LLC in Table 1 of 28.04.2004 and a Letter from the Tuapse Forestry (out. № 186 from 30.04.2004), which indicates that Cape Kadosh and adjoining territories of the city of Tuapse and Tuapse region are state-protected forest park zone and/or a resort sanitary protection zone, which occupy a large area and have high-quality wood, whereas the “YACONTO Port” only requires area of coastal mountains with low vegetation, unsuitable for organization of mass tourism and recreation.

In its letters (out. № SA-21/1470-is from 20.08.2004, out. № AM-22/4132 from 05.07.2006, out. № SA-13/4235 from 09.06.2007, out. № AM-13/5814 from 03.08.2007) the officials of the Russian Ministry of Transport counter the YACONTO Integrated Program with the knowingly unrealizable subprogram “Marine transport”, which is a part of the Federal Target Program “Modernization of the transport system of Russia (2002 - 2010)” approved by Decree of the Government of Russia № 848 of 05.12.2001. This subprogram, developed by the Ministry of Transport, called for the construction of a seaport near the town of Tuapse on Cape Kadosh, which is a unique protected public forest park area, where building is prohibited. The reporting period of the subprogram is nearly ending, and the problem of choosing the construction site for a modern major commercial port on the Black Sea coast of Russia, or even the need of such a port, has not yet been resolved. By creating the appearance of solving the problems, officials of the Ministry of Transport of Russia, in flagrant violation of Russian legislation and international agreements, allowed an unacceptable increase in the handling of hazardous cargo through the Tuapse Trade Port. The expected increase in the volume of handling does not solve the problem of shortage of port facilities in Southern Russia, but worsens an already disastrous environmental situation in the city of Tuapse. Reasoned opinions, protests and constructive suggestions of the city’s residents are being constantly ignored, as the public of Tuapse informed various authorities, as well as the Russian Academy of Sciences (out. № 41 of 28.05.2007) and the State Duma (out. № 63 of 02.05.2008). Despite that, the officials of MinTrans groundlessly claim that the transshipment volume of 100 million tons annually planned by the YACONTO Program is, allegedly, unsubstantiated. Thus, they deliberately deny huge deficits of existing port facilities in Southern Russia, deny the substantial annual growth in Russia’s gross domestic product and resist the requirements to urgently adopt investment programs for the development of sea ports already in 2007 year, specified in the Message of the President of Russia to the Federal Assembly of 26.04.2007. All replies of the officials of the Russian Ministry of Transport contain internal contradictions, and conflict with each other. This confirms that the purpose

of those formal replies was to prevent the implementation of the YACONTO Integrated Program under any pretext.

Another project, alternative to the major modern “YACONTO Port”, is the construction on its place of a small “Southern freight port”, which is also referred to as “South cargo area of the TTP” by the leadership of the MinTrans of Russia (“Sea ports” magazine (out. № 4(62)2007, page 14). Its active lobbying began in 2007.

Proponents of the “Kadosh option” and the “Southern freight port” projects are the same officials who oppose the implementation of the YACONTO Integrated Program. At the same time they point out that mountainous terrain of the coastline, large depths and natural and climatic conditions are favorable factors for the “Southern freight port”, while for the “YACONTO Port” and the TNB with their single infrastructure the very same factors are deemed unacceptable and highly expensive.

Also, in 2007 the MinTrans of Russia started actively lobbying the development of the project for the construction of a “TAMAN Seaport” with industrial, transport and social infrastructure on the Taman peninsula near the Kerch Strait. With this, the leadership of the Russian Ministry of Transport ignores the high efficiency of investment in the construction of the “YACONTO Port” with the simultaneous implementation of complementary and related infrastructure projects of the YACONTO Integrated Program without attraction of budgetary funds. The MinTrans of Russia is going to push for the inclusion in the Federal target program for the development of the transport industry in the 2010 - 2015 years of the obviously costly and inefficient “TAMAN Seaport” construction project, of which the MinTrans informed YACONTO LLC 5 years ago (out. № 4/763 from 23.07.2002), but then decided not to bring this topic up ever again because of its apparent futility due to shallow water, wandering silt, strong winds, climate, and many other reasons, including economic and geopolitical. An ecological disaster that occurred in the Kerch Strait on November 10 - 11, 2007, is one of the many confirmations of that.

The Russian MinTrans also supports the construction project of the “NAVAGIR international commercial seaport” in the resort area of Anapa region between the city of Anapa and the village of Su-Pseh near the Lysaya Mountain, where the shore characteristics are exactly the same as in the construction zone of the “YACONTO Port” in the Tuapse region.

It’s also a telling fact that the YACONTO Integrated Program was taken as a basis for the above projects and ways to implement them, since the Program is a uniquely effective guide, applicable to development of projects and programs for socio-economic development of not just the South, but also Russian North and Far East.

The options alternative to the “YACONTO Port” rely on an increase in exports of raw materials, which contradicts the strategy of Russia’s economic development through industrial and agricultural production on the basis of academic achievements, which contributes to the goal of doubling GDP by 2010, and its subsequent tripling by 2020.

Defending their narrow corporate interests, former and current leaders of the Russian Ministry of Transport alike used to, and actively continue opposing the non-state YACONTO Integrated investment Program. The following example perfectly illustrates such behavior of the MinTrans officials. At 17 PM on 22.10.2001 I received a phone call from the Ministry of Transport of Russia and suggested that I urgently attend the meeting scheduled for 12 AM on 23.10.2001 by the deputy Minister of Transport of Russia V.I. Yakunin to review the program for creation of a New Black Sea Commercial Port (NBSCP) in Tuapse region of Krasnodar Territory developed by YACONTO LLC. Because of that, the Report of the President of YACONTO LLC was written at night of 22 to 23 October on the basis of available data and registered in V.I. Yakunin’s reception (out. № VYA-10/773 from 23.10.2001). But V.I. Yakunin was not present on the meeting. Organizers of the “event” who prepared their “variant” of the Protocol of the meeting on 23.10.2001 in advance did not expect YACONTO LLC to manage to prepare the report under such tough deadlines and be able to convince the majority of the participants to support the Program of YACONTO LLC. The “draft” Protocol of the meeting prepared by the “action men” of MinTrans of Russia referred to the **Tuapse city** instead of **Tuapse region** as the construction site for the NBSCP. The way the “authorized representative” of Russian Ministry of Transport conducted the meeting and what kind of anti-state position he took is described in the letters of YACONTO LLC to the Minister of Transport of Russia S.O. Frank (out. № 1-11112 from 12.11.2001) and his successor I.E. Levitin (out. № 1-40902 on 02.09.2004). The officials of MinTrans, not responsible for their performance and confident of their impunity, not only failed to take appropriate response, but personally took part in discrediting YACONTO LLC and the unparalleled YACONTO Integrated Program. From 2001 till present, the officials of MinTrans continue misinforming various ministries, departments, organizations and the leadership of the State on the location of the “YACONTO Port” and its infrastructure: instead of Tuapse region they always indicate the Tuapse city itself in different lexical constructions (e.g. “in the city of Tuapse”, “around Tuapse city”, “in the south-eastern part of Tuapse city”). Thus, officials of the Ministry of Transport of Russia and their “business partners” intentionally confuse everybody and continue to actively oppose the implementation of the YACONTO Integrated Program which affects their interests.

The MinTrans officials are well aware of the fundamental impracticability of their obsolete departmental instructions that are contrary to the applicable legislation and the interests of the state. One such example is the requirement to submit agreed documents for preparatory and pre-project work for the implementation of the projects included in the non-state YACONTO Integrated Program which is worth an equivalent of 600 billion rubles in investments. In order to prepare the documents required by the Russian Ministry of Transport, you must first spend, at your own risk, not less than 1% of the total planned investment, i.e. 6 billion rubles, without warranty of any kind on the part of irresponsible corrupt officials and their “business partners”.

The foregoing gives grounds to assert that corrupt officials craftily thwarted and continue to disrupt the fulfillment of the tasks of socio-economic development of Russia, its defense and security; in particular, by groundlessly denying the need to build the “YACONTO Port” and establish the TNB. Hence, the opponents of the YACONTO Integrated Program, by actively countering its implementation, deal enormous damage not just to the socio-economic development of Russia, but also to its security and defense. Consequently, in order to really solve the problems facing the state, we must establish an effective system of public-private partnership for the implementation of major projects and programs, neutralizing activity of the “army” of corrupt officials who have created a system of collective irresponsibility and impunity in Russia.

8. Interconnection between the YACONTO Integrated program and the Federal Target Program of “SOCHI-2014” Winter Olympics

In the spring of 2006 the President of Russia V.V. Putin took a decision on the expediency of hosting the Winter Olympics in Russia in 2014. The Federal Target Program of “SOCHI-2014” Winter Olympics included projects for relocation of a railway branch from the Black Sea coast along an optimal route from Tuapse to Adler inland, deeper into the Krasnodar Territory and a construction of a modern multi-lane highway in parallel to it. In fact, those projects are based on the YACONTO List of Projects of 09.05.2005 which is critically important for the socio-economic development of the Krasnodar Territory and for ensuring Russia’s defense and security in the Azov - Black Sea basin. Since 2002, materials of the YACONTO Integrated Program were regularly sent to various ministries, departments, institutions and organizations, including the Ministry of Railways of Russia, and then to the “Russian Railways” JSC. These documents, without informing and obtaining consent of YACONTO LLC, were redirected to those officials of the Russian MinTrans who did everything to prevent the implementation of the YACONTO Integrated Program which is beyond their control.

Construction and commissioning of the main objects as per the YACONTO List of projects from 09.05.2005 will be coinciding with the completion of construction of the facilities for “SOCHI-2014” Winter Olympics from the time perspective. Construction of a modern multi-lane highway Krasnodar - Sochi and the relocation of a part of the Tuapse - Adler railway from the Black Sea coast to the mainland will allow the Krasnodar Territory to start a large-scale development of resort, wellness & recreation and sports & tourism industry at a high international level.

The large-scale multidisciplinary YACONTO Integrated Program, as well as the program for the “SOCHI-2014” Winter Olympic Games should be implemented with an administrative support from the Supreme leadership of the state. That is why the organizational scheme of the YACONTO Integrated Program requires a Decree issued by the President of Russia and a Resolution of the Russian Government. It will help overcome bureaucratic resistance of the officials in order to implement the YACONTO Integrated Program in the interests of the state.

9. Plan of implementation of the YACONTO Integrated Program

The YACONTO Integrated Program is proposed for implementation according to the following scheme developed by YACONTO LLC:

9.1. Issuance of the Decree of the Russian President on ensuring the implementation of the non-state YACONTO Integrated investment Program; that will give it the status of a socio-economic program of national importance, supported at the highest political level, including projects of state and military purposes, which may be proposed in the implementation process.

9.2. The YACONTO Integrated Program is planned to be funded by attracting private and public long-term loans, material resources and advanced technologies, in particular, through the provision of earmarked state investment loans, issuance of targeted financial instruments under pledge of the created facilities and for future deliveries of products (goods and services). Attraction of funding, design and construction will be carried out on a competitive basis, as well as on behalf of the state.

9.3. The Russian Presidential Decree must be followed by the respective Decree of the Russian Government on ensuring the implementation of the non-state YACONTO Integrated investment Program of nationwide importance; the Decree would describe the rights and responsibilities of the state authorities involved.

9.4. On the basis of the Russian President’s Decree, YACONTO LLC obtains rights and obligations of the customer and the general manager of the attracted public and private long-term loans, material resources, advanced technology and targeted public investment loans for the implementation of the

YACONTO Integrated Program, including projects of state and military purposes. At the same time, YACONTO LLC is responsible for obtaining, intended use and a timely return of borrowed investment loans, loan funds and material resources.

9.5. The YACONTO Integrated Program must be coordinated and supported by an Authorized Representative of the Russian President, who should also provide control over the use of investment loans, credit facilities and other material resources granted by the state.

9.6. In order to ensure the implementation of the YACONTO Integrated Program, Russian ministries and agencies attracted to the work will have to promptly release orders and instructions in accordance with the instructions of the Authorized Representative of the President of Russia, and in agreement with YACONTO LLC.

9.7. A managing company will be created for the implementation of the YACONTO Integrated Program, which will take into account the interests of the business, government and local authorities.

9.8. The managing company will establish enterprises and structures according to specific areas of their business activities; provide control over the use of public and private loans, material resources, technology, and earmarked public investment loans; deal with land acquisition; arrange pre-project and design works, construction and operation of objects; ensure the implementation of advanced technologies, equipment, raw materials, etc.

9.9. As the implementation of the YACONTO Integrated Program is carried out, the managing company will ensure the return of loan funds and investment loans from the income from the operation of commercial facilities, supply of an agreed part of future products and services, as well as through mutual offsets of the loans aimed at creating public and military objects.

Pre-project and design works for the YACONTO Integrated Program are planned to be completed within no more than 2 years with a possibility of early completion.

Construction of the facilities of the YACONTO Integrated Program is planned to be executed within no more than 5 years with a possibility of early completion, and for the “YACONTO Port” - with a step by step, early commissioning of the first, second and third stage facilities.

The objects included in the YACONTO List of Projects of 09.05.2005 have different payback periods. The payback period for the “YACONTO Port” starting from its commissioning will be 6 years, for the railway station and the highway – 8 - 10 years, pipeline and refinery – 5 - 6 years, shipbuilding and ship repair yard – 8 - 9 years, cement plant – 5 - 6 years. The cost of the infrastructure necessary

for the development of industry and transportation, including mass construction of comfortable housing and social services, will be included in the total costs of commercial facilities as per the YACONTO List of Projects of 09.05.2005, which is fully justified, although it increases the payback period of the YACONTO Integrated Program as a whole to 10 years.

10. Funding of the YACONTO Integrated Program

Funding for the YACONTO Integrated Program will be attracted through various forms of mutually beneficial long-term cooperation of the participants of its implementation: loans, tax exemptions and deferrals, issuing of earmarked financial instruments and provision of investment loans in Russian and foreign currencies firmly under control of the authorized state bodies.

The funding will be distributed between the facilities of the YACONTO Integrated Program as per the YACONTO List of Projects of 09.05.2005 in the following proportion: industrial enterprises - 32%, the “YACONTO Port” - 20%, the TNB - 20%, infrastructural facilities - 18%, community facilities - 10%.

The amount of investment loans and loan funds needed to implement the YACONTO Integrated Program depends on the specific projects and programs that will be recognized as reasonable and priority by the state.

YACONTO LLC developed schemes of attracting major investments, extrabudgetary funding, public earmarked loans and other forms of funding that guarantee the implementation of the YACONTO Integrated Program as a whole, including purchase of businesses, homes, boarding houses, sanatoriums, communications and other civilian objects in the area of implementation of the Program.

Attraction of major financial resources for the implementation of the non-state YACONTO Integrated investment Program as a whole will be performed on a competitive tender basis through the organizations that have the necessary credentials, capabilities and warranty.

The developed schemes provide a balance of interests of the State and the business. Russian and foreign investments will be attracted through the organizations with the necessary credentials, capabilities, and warranty.

YACONTO LLC has serious offers for complete funding of YACONTO Integrated Program coming from major international companies and associations on long-term mutually beneficial terms. It's not the funding, but the decision on the political and administrative support on the highest governmental level that is required to start the implementation of the YACONTO Integrated Program.

Exact volumes of required funding and payback period of projects included in the YACONTO Integrated Program can be assessed only after a political

decision at the highest governmental level to support the non-state investment YACONTO Integrated Program and after specifying the list of its constituent projects. To do this, the State only needs to officially confirm the expediency of building the large “YACONTO Port” and establishment of a modern TNB as the main point of basing and repair of the Black Sea Fleet of Russia, with their common infrastructure; that will provide the conditions to attract extra-budgetary funds and other investment resources without the use of state financial guarantees.

YACONTO LLC knowingly does not present more detailed materials on the implementation scheme and specific sources of funding for the YACONTO Integrated Program. Today, it is premature, because first we need a political decision at the federal level to support the unparalleled YACONTO Integrated Program in order to ensure the administrative guarantees for its successful implementation and attraction of major investments, as well as to eliminate opposition of dishonest officials. In the present circumstances such guarantees can be given only with the Order of the President of Russia and an accompanying Resolution of the Russian Government.

11. Information on officials who support the YACONTO Integrated Program

In November 2000, YACONTO LLC addressed the President of Russia V.V. Putin (out. № 3/13-11-PYA from 13.11.2000), asking to support the proposed YACONTO Integrated Program for the construction, in Tuapse region of Krasnodar Territory of a new commercial seaport and an establishment of a naval base in the area of the Tuapse Trade Port. In 2001, in his letter to the Russian Defense Minister S.B. Ivanov (out. № 707/T-4641 from 02.12.2001) the Commander-in-Chief of the Russian Navy V.I. Kuroedov mentioned that the Integrated Program was supported by V.V. Putin. According to the Terms of Reference of YACONTO LLC, Design Enterprise “Soyuzproektverf” of the Federal state unitary enterprise “Central Research Institute for Shipbuilding Technologies” (FSUE CRIST, St. Petersburg) has developed a Declaration (Petition) of 12.11.2002 of the intent to construct the “Commercial Black Sea port YACONTO” in Tuapse region of Krasnodar Territory with an Explanatory Note and the Scheme of the general plan of the “YACONTO Port”. The Interdepartmental Committee for the allocation of productive forces in the Tuapse region of Krasnodar Territory supported this Declaration of 20.02.2003. The Head of Administration of Krasnodar territory A.N. Tkachev has supported the YACONTO Integrated Program in general in his letter to YACONTO LLC (out. № 1-02/447 from 20.08.2003). The representative meeting of the Administration of Krasnodar Territory of 07.04.2004 that took place at the order of A.N. Tkachev, also supported the Program and confirmed its relevance, which has also been mentioned in the letter from the Head of the

Tuapse region V.V. Koshel to the Administration of Krasnodar Territory and to YACONTO LLC (out. № 03-1/567 from 21.04.2004). The necessity to implement the Integrated Program has been confirmed by the Expert opinion of the Federal State Enterprise «Research institute - Republican research scientific-consulting center of expertise» (FSE RI RSCCE, Moscow) of the Ministry of Education and Science of Russia from 02.08.2004 and the Analytical note of the Military Academy of the General Staff of the Russian Ministry of Defense of 27.01.2005 prepared by the request of the Adviser to the President of Russia A.G. Burutin. In his letter (out. № 729/15/1505 of 12.12.2005) Commander-in-Chief of the Russian Navy V.V. Masorin informed YACONTO LLC of the plans for establishment of a promising Tuapse Naval Base as the main point for basing and repair of the Russian Black Sea Fleet warships and vessels around Tuapse city. The letter also mentioned that in 2007 - 2009 it was planned to conduct an analysis and adjustments to the Federal target program “Creation of the Black Sea Fleet basing system on the territory of Russian Federation in years 2005 - 2020” taking into consideration the proposals of YACONTO LLC. In his letters to the Chairman of the Russian State Duma B.V. Gryzlov (ref. № 3.14-22/595 from 04.06.2004), to the Deputy Chief of the Presidential Executive Office – Aide to the President of Russia I.I. Sechin (out. № 3.14-25/497 from 11.04.2005) and to YACONTO LLC (out. № 3.14-30/1368 from 07.11.2006) the Chairman of the Defense Committee of the State Duma V.M. Zavarzin also confirmed relevance and necessity of implementation of the large-scale and multi-industrial YACONTO Integrated Program of federal importance. The Chief of the General Staff of the Armed Forces of Russia - First Deputy Minister of Defense of Russia Y.N. Baluyevsky has also expressed his interest in the implementation of the YACONTO Integrated Program in his letters to the Adviser to the President of Russia A.G. Burutin (out. № 205/11777 from 27.10.2004) and to YACONTO LLC (out. № 205/13822 from 07.12.2004).

Main consultants in the preparation of the naval part of the YACONTO Integrated Program are: V.I. Varennikov (President of the International League for the defense of human dignity and security, General of the Army, Hero of the Soviet Union, Deputy of the State Duma of IV Convocation), I.M. Kapitanets (Admiral of the Fleet of Russia, former First Deputy Commander-in-Chief of the Soviet Navy, Chairman of the Maritime section of the Academy of Military Sciences of the Russian Ministry of Defense, member of the Presidium of the Academy of Military Sciences), V.P. Komoedov (Admiral, former Commander of the Russian Black Sea Fleet, Deputy of the State Duma of V convocation), G.A. Suchkov (Admiral, former Commander of the Northern Fleet, Advisor to the Russian Minister of Defense), V.F. Dorogin (Vice-Admiral, Deputy of the State Duma of III convocation), N.V. Zharinov (Counter Admiral, Professor, Depart-

ment of the Navy Operational Art of the Military Academy of the General Staff of the Russian Defense Ministry). Major assistance in the support of the YACONTO Integrated Program is provided by: V.V. Dementsev (former Minister of Finance of USSR, Chairman of the State Bank of the USSR), A.N. Kharitonov (Lieutenant General, former Head of the Omsk Police Academy, Vice Chairman of the Committee of State Duma for constitutional legislation and State building, IV convocation), V.V. Varennikov (Lieutenant General, Vice President of the International League for the defense of human dignity and security), V.B. Shestakov (Deputy of the State Duma of IV and V convocations).

On 12.12.2001 the Commander-in-Chief of Russian Navy V.I. Kuroedov informed YACONTO LLC that the President of Russia V.V. Putin supported the YACONTO Integrated Program. At the meeting it was decided to coordinate the activities of YACONTO LLC and the Russian Navy, including the implementation of infrastructure projects. YACONTO LLC still continues to execute these arrangements, securing the interests of the state, in good faith.

12. Conclusions

The YACONTO Integrated Program corresponds to the Concept of Russian national security (Order of the Russian President № 27 of 10.01.2000), Russian Military Doctrine (Order of the Russian President № 706 of 21.04.2000), Federal Target Program “World ocean” (Order of the Russian President № 11 of 17.01.1997), fundamentals of Russian policy in the area of naval activities for the period of up to 2010 (Order of the Russian President № 471c of 04.03.2000), Russian Maritime Doctrine (Order of the Russian President № 1387 of 21.07.2001), the main directions of economic security of maritime activities of Russia and the regional maritime policy in the Black and Azov Seas, the requirements of the Concept of the Russian shipping policy and other Russian regulatory acts. YACONTO Integrated Program encourages the development of new laws and regulations for the development of major programs, approbation of which at their implementation will result in having an effective set of laws and regulations, which will significantly improve the effectiveness of the implementation of major investment projects in Russia.

The implementation of the YACONTO Integrated Program has a high economic and social importance for the Krasnodar Territory and the South of Russia as a whole due to the attraction of large private investments in industrial, transport and social infrastructure, including reconstruction of old and construction of new railways, highways, long-lasting pipelines for oil, gas and water as well as construction of power plants and modern, comfortable apartment complex with consumer services for the residents of the region.

The peculiarity of funding of the Integrated Program is the attraction of major investors, including foreign ones, which will allow simultaneously solving the tasks of the Russian Defense Ministry with the basic groundwork for the construction of the “YACONTO Port” and common infrastructure facilities in the Krasnodar Territory.

The main advantage of the non-state investment YACONTO Integrated Program is the synergetic effect of its combination of scale, flexibility and agile management.

The general plan of socio-economic development of the Tuapse region and the city of Tuapse as a single administrative and economic complex in the consolidated municipality will create jobs for the local people, provide them with comfortable housing, and develop not only the economy of the Krasnodar Territory, but also other different regions of Russia, the territory of which has no access to the sea and no marine cargo ports of their own.

The YACONTO Integrated Program provides mass adoption of advanced technologies, achievements of the Russian Academy of Sciences, domestic and world science in general.

Implementation of the YACONTO Integrated Program will allow to:

- Attract major investments and material resources.
- Supply the “YACONTO Port”, TNB and their shared infrastructure with power supply, heating, gas, drinking quality water, petroleum products, as well as provide modern comfortable housing and jobs to the local population, attracted civilian specialists and military personnel transferred to reserve due to the reform of the Armed Forces of Russia, which will significantly reduce the time and costs of the creation of the “YACONTO Port” and the TNB.
- Create over 15 (+35) thousand jobs for the residents of the Tuapse region, city of Tuapse and for attracted specialists.
- Build modern housing for 30 thousand residents of the Tuapse region, city of Tuapse and attracted specialists.
- Normalize environmental conditions in the Tuapse city.
- Create learning opportunities for young professionals, with guaranteed employment.
- Engage the capacities of “Russian Railways” JSC with transportation of at least 45 million tons of cargo per year.
- Reduce the distance between the town of Goryachi Klyuch and the Vishnevka settlement by 70 km (or by 65 km for Shepsie settlement) for transit vehicles and the “YACONTO Port” freight transportation by moving the said traffic to a new high-speed highway, which will provide substantial fuel and travel

time savings.

- Withdraw more than 6 million of transit vehicles per year from the Black Sea resort coastline, which currently go through a 75 kilometer segment of federal highway from Dzhubga through Tuapse to Sochi and thus drastically reduce the volume of exhaust gases emission on this segment.

- Build a modern dual purpose shipbuilding and ship repair facility in Southern Russia for the establishment of a powerful merchant and naval fleet.

- Expand the Russian Black Sea coast and strengthen it with bank protection structures against erosion and washout.

- Supply the construction of the facilities of “SOCHI-2014” Winter Olympics with raw and other materials.

- Create conditions to attract major investments for intensive development of resort & recreation and sports & tourism industries at a world class level in the Tuapse region, the city of Tuapse the Krasnodar Territory as a whole, to provide a sharp increase in the inflow of vacationers and tourists to the Russian Black Sea coast.

- Ensure stable socio-economic development of Tuapse region, city of Tuapse and Krasnodar Territory as a whole.

- Introduce advanced technology, modern development and achievements of domestic and world science.

- Ensure significant development of industry and agriculture of the Krasnodar Territory and the Southern Russia through a systemic implementation of projects granting multiplicative effect, on the basis of broad implementation of innovations and increase in the efficiency of rail, road, pipeline, water and air transportation.

- Increase Russia’s gross domestic product volume through revenues coming from production and sale of finished products rather than just crude oil, gas, timber and other raw materials;

- Provide large, stable tax revenues to the local, territorial and federal budget.

- Establish the TNB as the main basing and repair point for the Russian Black Sea Fleet warships and vessels.

- Exclude the possibility of creating critical situations, and any provocations around the Russian Black Sea Fleet, related to the contract of 1997 between Russia and Ukraine on the length of stay of ships and vessels of Russian BSF in Sevastopol.

- Strengthen the defense capability and security of Russia in the Azov-Black Sea basin and restore Russian influence in the Mediterranean.

- Improve the political situation in the North Caucasus.

- Ensure the socio-economic development of Russia as a whole.

The YACONTO Integrated Program requires a reliable system of security and protection from opposition of dishonest competitors, criminal organizations and possible provocations, sabotage and attacks committed by potential adversaries, as the projects it includes are implemented in a geopolitically tense border area of Southern Russia, and the objects proposed for construction have a strategic and dual use. First and foremost this is true for the “YACONTO Port” and the TNB with their common life support system. In this regard, the YACONTO List of Projects from 09.05.2005 provided for the establishment of a centralized security system and for the construction of special facilities for the security forces, intelligence services, border guards and law enforcement agencies so that they can reliably monitor and protect important objects, as well as the territory as a whole.

The principles embodied in the YACONTO Integrated Program can be used for the development and implementation of similar large-scale programs in other coastal regions of Russia. These regional programs for socio-economic development are in demand primarily in the Far East and the Murmansk region. Their implementation will create a large number of jobs together with modern housing and social infrastructure, which will attract the labor force due to mass migration of Russian citizens and optimize the development of Russian economy from the territorial perspective.

For reference: The name “YACONTO” was a trademark of the Integrated Cooperative “Continent-Olymp” and was formed by the method of abbreviation: YA - Yakunin, CONT - Continent, O - Olymp. The trademark “ЯКОНТО” (in Russian) has been registered by the USSR State Committee for Inventions and Discoveries (Certificate № 86903 from 28.04.1989); the trademark “YACONTO” (in English) was registered on the USSR State Committee for Inventions and Discoveries (Certificate № 86904 from 28.04.1989). Since 09.01.1991 “YACONTO” trademark became the name of Firm YACONTO SE (later re-registered as Firm YACONTO LLP), then of YACONTO LLC and its affiliates.

There are fundamental differences between federal target programs and the non-state investment YACONTO Integrated Program of federal and national importance, in the ways they are designed and implemented. YACONTO Integrated Program, carried out on the basis of attracting long-term non-state financial assets and other tangible resources for large commercial innovation projects, provides to the State an opportunity to save the budget funds and use them effectively to solve social problems in the regions of the country and to restore Russia’s economy, shattered by irresponsible “reformers” in the 1990s.

Unfortunately, officials at all levels do not want to distinguish the real organizers from the ordinary functionaries only capable of executing instructions, and this is why Russia cannot get out of stagnation, even in the presence of gigantic

revenues coming from the oil and gas exports because of their inefficient and irrational use in the national economy. Most functionaries are timeservers, while the organizers are the true creators and builders.

The implementation of the YACONTO Integrated Program will confirm that successful socio-economic development of regions and Russia as a whole is achievable only through a combination long-term planning with the formation of civilized market relations, where relations between the state and the business are built on the basis of a constructive mutually beneficial cooperation, and not on terms of market chaos that started in the 1990s.

It appears expedient that the President of Russia and the Russian Federal Assembly should be elected for 5 years instead of 4, so they can develop, approve and take responsibility for their commitments to the five-year plan for socio-economic development, ensure the defense and Russia's security, taking into account the prospects of development for the next 10 - 20 years.

Due to its non-standard approach and large scale, the YACONTO Integrated Program requires support from the Supreme leadership of the state, therefore the scheme of its implementation requires an issuance of a Presidential Decree and a respective Resolution of the Russian Government. This will increase the efficiency of the implementation of the YACONTO Integrated Program and neutralize the bureaucratic resistance of the officials.

The implementation of the non-state YACONTO Integrated investment Program of federal and nationwide significance requires a political decision and an administrative support of the Russian President, Prime Minister of Russia, Federal Assembly of Russia and the Administration of Krasnodar Territory.

More information on the YACONTO Integrated Program and the activities of the Russian YACONTO enterprises (starting with 1988) can be found in the documents on the YACONTO CD of 09.05.2008.

(The Russian text of this letter is an original.)

President of YACONTO LLC



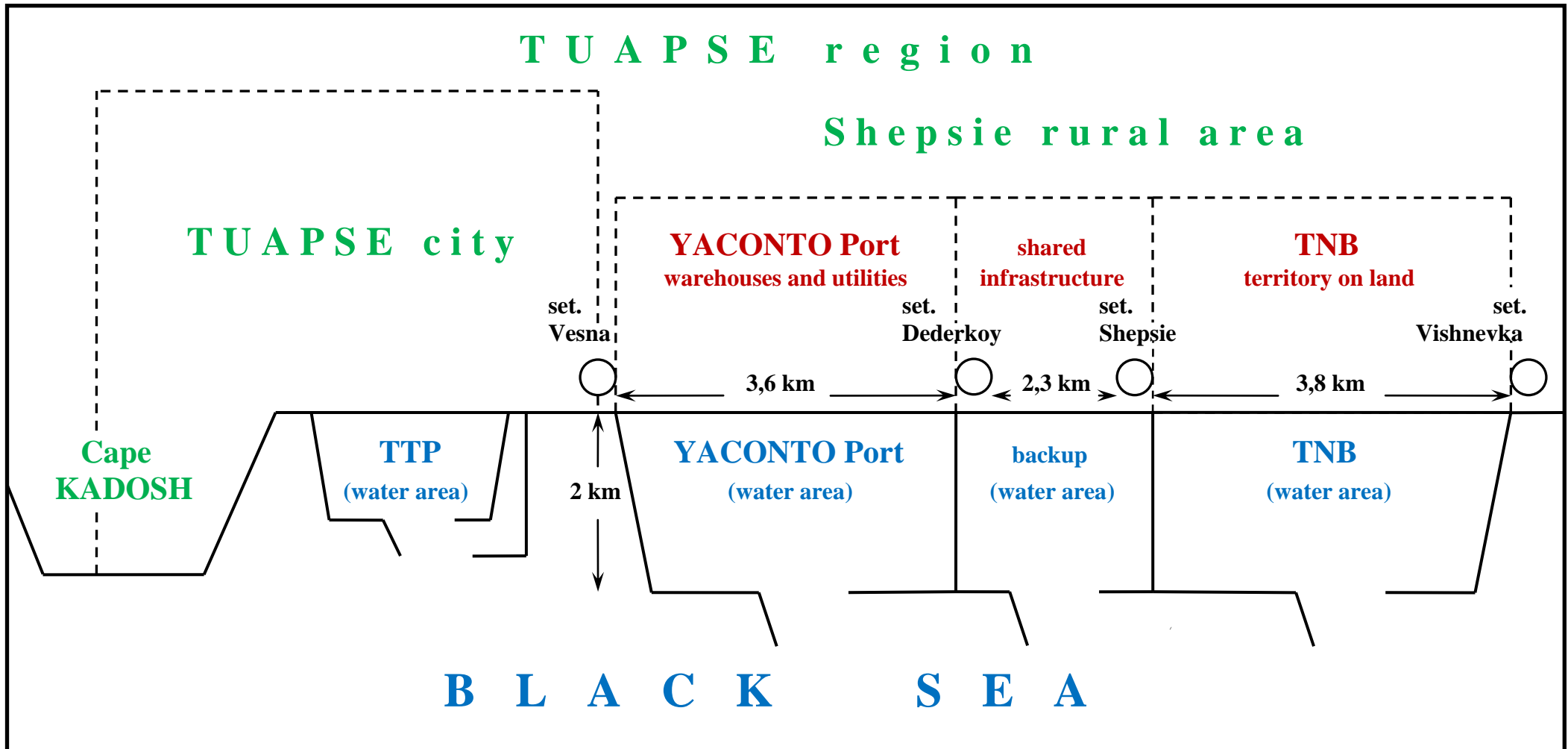
S.P. YAKUNIN

Contacts:

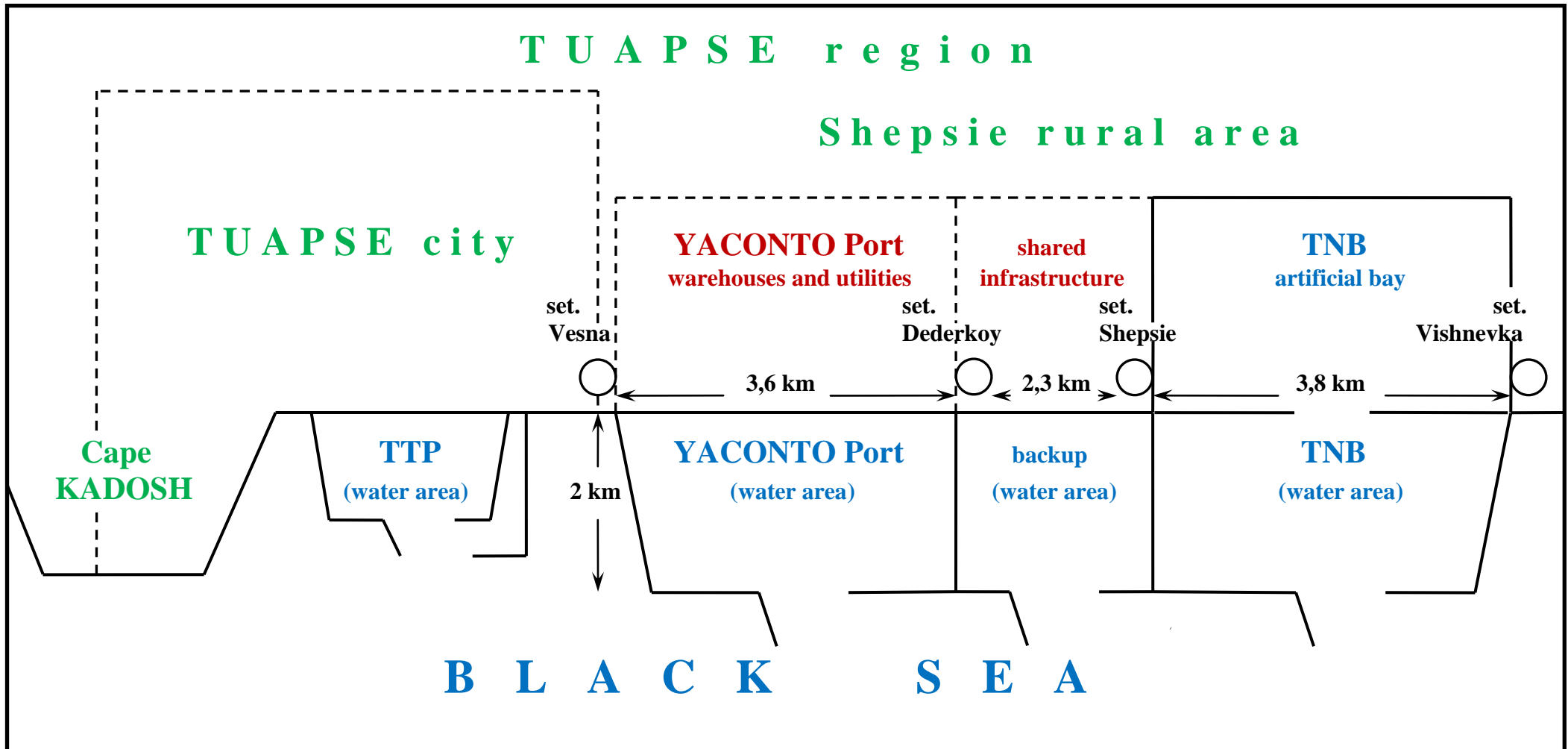
E-mail: Yaconto@mail.ru, www.Yaconto.ru

Telefax: +7 (495) 686-9046, Mobile: +7-916-930-8718

Approximate scheme (conventional circuit) of placement of the “Commercial Black Sea port YACONTO” and the Tuapse Naval Base (TNB) with their shared infrastructure in the Shepsie rural area of Tuapse region of Krasnodar Territory according to the YACONTO List of Projects of 09.05.2005



Approximate scheme (conventional circuit) of placement of the “Commercial Black Sea port YACONTO” and the Tuapse Naval Base (TNB) with their shared infrastructure in the Shepsie rural area of Tuapse region of Krasnodar Territory according to the YACONTO List of Projects of 09.05.2005



Approximate scheme (conventional circuit) of placement of the “Commercial Black Sea port YACONTO” with their shared infrastructure in the Shepsie rural area of Tuapse region of Krasnodar Territory according to the YACONTO Explanatory Note of 09.05.2008 to the YACONTO List of Projects of 09.05.2005

