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№ 29-9-PYA from 29.09.1995
inc. № 7343 from 05.10.1995

TO THE HEAD OF ADMINISTRATION
OF ROSTOV REGION
OF RUSSIAN FEDERATION
MR. VLADIMIR F. CHUB

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On the real state of affairs on ATOMMASH OJSC

DEAR VLADIMIR FEDOROVICH

In addition to my latter №19-9-PYA of 19.09.1995 (your ref. №7343 of 22.09.1995) which I sent to you counting on your understanding and looking forward for your reply, in order to strengthen effective control and influence of the Administration of Rostov region of RF as a power authority on the situation on Atom mash OJSC as a strategic company, I ask you to:

1. Assist in converting the “golden share” into an ordinary one and to consolidate at least 25.5% shares in Atom mash OJSC in state property through Minatom of RF.

2. Prevent the bankruptcy of Atom mash OJSC as a strategic company of national significance, and prevent the institution of external arbitration management, which will only be beneficial to a limited group of people, could possibly result in a sale of the company and its most valuable equipment part by part, without solving a single problem faced by Atom mash OJSC; give the own healthy powers on Atom mash a chance to resurrect the company, ensure its stable operation and development.

3. Pass the position in the Board of Directors from the Deputy Chief of the Administration of Rostov region Mr. Khomyakov A.A. to the Head of Administration of Volgodonk city Mr. Khizhnyakov V.F. because of extremely busy schedule and high workload of Mr. Khomyakov A.A., and due to the fact that he happens to be a member of the Board of Directors of a big number of companies in Rostov region, and therefore cannot concentrate in the work in the Board of Directors of Atom mash, immerse in the company's problems, offer assistance and support and attend the meetings of the Board of Directors of Atom mash OJSC regularly.

Moreover, there is no doubt that already in the end of 1994 Mr. Khomyakov A.A. was aware of the catastrophic situation on Atom mash OJSC, facilitated by the highest executive management, which resulted in a drastic increase in accounts payable of Atom mash, which nearly reached 90 Billion rubles, as well as the fact that the Federal department for insolvency (bankruptcy) cases of the Russian Federal Committee for state property management has declared Atom mash OJSC insolvent and having poor balance sheet structure by an Act №505 dated 07.12.1994 and entered the rights of a proprietor

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in respect of the stock of Atom mash OJSC, planned for sale and reserved by the Property Fund of Rostov region. Nevertheless, Mr. Khomyakov A.A., as one of the highest ranking officials in Rostov region, directly responsible for the industry, did not take according drastic measures against the management of the insolvent Atom mash. Moreover, partially with his involvement, on the Annual shareholder meeting in April 1995, the voting stock owned by the Property Fund appointed the same people, who destroyed the company and led it to insolvency, to the Board of Directors and top management positions of Atom mash. That was done by disorienting the shareholders and by outright lies about the true economic and financial state of Atom mash OJSC, while the company's condition deteriorated, accounts payable have systemically grown (87 Billion rubles as of 01.01.1995 and 143 Billion rubles as of 01.04.1995).

Delay of the final sale of Atom mash OJSC shares, their illegal reservation after the expiration of the term set by normative acts in violation of the RF Presidential Order №2284 of 24.12.1993 Section 2 of the Federal Privatization Program (of which we informed the Chairman of the Property Fund of Rostov region Mr. Ryndin S.N. by an official telegram №366001 on 30.03.1995), utilization of those shares by voting on the shareholder meeting (which resulted in the introduction of Mr. Khomyakov A.A., Deputy Chief of the Administration of Rostov region to the Board of Directors), resulted in a direct involvement of the Administration of Rostov region in the business and the problems of Atom mash, and therefore, the Administration bears its share of responsibility for the past, present and future of the company. Hence, today, when Atom mash's fate poses an acute problem, we all should fully realize our responsibility and, consolidating our powers, take most drastic and urgent actions to fix the previously made mistakes, remove the incompetent executive management of the plant from the office and strengthen the influence of the shareholders and the state on the company's management.

I believe that, if we want to strengthen the link between Atom mash and the local state power bodies, Mr. Khizhnyakov V.A., as a Head of Administration of Volgodonsk city, is the most acceptable candidate to the Board of Directors of Atom mash OJSC, since the fate of Atom mash is inseparable from the Volgodonsk city and its population, the majority of which works on Atom mash OJSC, and therefore the Administration of Volgodonsk city and Atom mash have mutual problems and tasks, while the condition of the said company has a direct impact on the situation in the city, development of its social sphere and infrastructure.

4. Support the demands of the shareholders to express no confidence to the President Egorov V.A., since he led the company to a verge of bankruptcy (for just 8 months of 1995 the accounts payable of Atom mash OJSC has grown from 87 to 178 Billion rubles, i.e. two times), and for the grave failures in financial, economical and production activity he made. Egorov V.A. should be suggested to resign from the position of the President of Atom mash OJSC immediately, with a simultaneous resignation from the Board of Directors of Atom mash OJSC.

5. Support our demands to express no confidence to the Deputy Chairman of the Board, Vice President for technical policy Molchanov V.A., who directly participated in the squandering of the fixed assets of Atom mash – primarily, equipment and utensils – and who, together with the President Egorov V.A. bears personal responsibility for the

current condition of Atommash OJSC, destruction of its engineering and technological potential and deliberate disengagement from strategic and tactical planning of Atommash OJSC's core profile – nuclear energy. Molchanov V.A. should be suggested to resign from the position of the Vice President for technical policy immediately, with a simultaneous resignation from the Board of Directors of Atommash OJSC.

6. Support our demands to express no confidence in the member of the Board of Directors Savenkova T.I. due to the scandal around the illegal contract between Atommash OJSC and “Financial Corporation Levin” CJSC, under which fixed assets and property of Atommash OJSC have been pledged, thereby cheating the shareholders and bringing profit to her, to President Egorov V.A. and Vice President for financial & investment policy and economic matters Firsenskov S.I. Mrs. Savenkova T.I. should be suggested to resign from the Board of Directors of Atommash OJSC immediately.

7. Conduct a joint review of candidates for the Board of Directors of Atommash OJSC to replace the aforementioned people, and develop a mutual strategy and an anti-crisis action plan to prevent the bankruptcy of Atommash OJSC from bankruptcy. We are ready to review and support your candidates for the President of Atommash OJSC.

8. Develop the mutual plan in coordination with the state power bodies and the Ministry of Atomic Energy of Russia.

In case our demands are supported, the aforesaid problems are solved and a consensus is reached, we are ready to drop the request to call an emergency meeting of the shareholders of Atommash OJSC, on which we currently insist, as per the official documented demand we submitted to the Board of Directors of Atommash OJSC, registered under №3 on 11.09.1995.

We also attach reference on financial condition of Atommash OJSC for 01.01.1995 and for 28.08.1995.

ATTACHMENT:

1. Reference on financial condition of Atommash OJSC as of 01.01.1995 – 2 p.
2. Reference on financial condition of Atommash OJSC as of 28.08.1995 – 2 p.

(Original document is in Russian.)

Respectfully yours,

General Director of Firm YACONTO
Member of the Board of Directors
of Atommash OJSC



S.P. YAKUNIN