

Yukos Minority Shareholder Coalition

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Ms. Gay Hartwell Sills
Staff Chair
Committee on Foreign Investment in the United States
Office of International Investment
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW.
Washington, DC 20220

Dear Chairwoman Sills:

This letter responds to the request for comments from Department of the Treasury regarding preparatory work on regulations that implement the Foreign Investment and National Security Act of 2007 (“FINSA”). FINSA amends section 721 of the Defense Production Act of 1950. Section 721 creates a process by which the President and his designee, the Committee on Foreign Investment in the United States (“CFIUS”), conduct national security reviews of foreign acquisitions of control of U.S. businesses.

By way of background, the Yukos Minority Shareholders Coalition (“YMSC”) is an informal grouping of minority shareholders outspoken in condemning the Russian Government’s lengthy and systematic campaign to expropriate and re-nationalize YUKOS Oil Company. In doing so, the Russian Government destroyed almost U.S. \$40 billion in shareholder value in Russia’s leading oil company, without compensation to shareholders, approximately 15% of whom purchased American Depository Receipts (“ADRs”) in the US markets.

Discussion of YMSC’s Position

As Treasury and CFIUS deliberate new regulations, they should weigh heavily the risks associated with foreign government-controlled entities, such as Russia’s Rosneft and Gazprom, investing in and gaining control of critical infrastructure in the United States. Frequently, these firms do not operate solely as commercial entities on behalf of shareholders. Rather, they operate to advance the strategic interests of foreign governments. For instance, Gazprom, acting as an instrument of the Russian Federation, has cut the flow of gas to Europe several times in recent years in reaction to political and pricing disputes with countries formerly in the Soviet bloc. Actions such as these, if repeated within our borders, may pose serious threats to the national security of the United States.

Rosneft, the Russian state-owned oil company, entered the western capital markets in 2006 through the sale of global depository receipts. Rosneft’s prospectus of July 2006 specifically states, “the Russian Government, whose interests may not coincide with those of other

shareholders, controls Rosneft and may cause Rosneft to engage in business practices that do not maximize shareholder value.” This declaration of Rosneft’s intentions unilaterally to set aside shareholders’ interests, a pillar of the free market system, is a warning of the motives of state-owned or controlled entities. The actual motives of these state-owned or controlled firms may hold serious risks to the U.S. if these companies acquire critical assets and operate them to threaten our security.

In view of Russia’s recent history of flouting the rule of law within its own borders to steal energy assets from Western investors – the Yukos expropriation – and using these and other energy assets as weapons against the West, it is critical these proposed regulations carefully address the potential security threat to the U.S. from state-owned or controlled entities, such as Gazprom and Rosneft.

We would welcome the opportunity to discuss our views if you have questions and thank you for the opportunity to comment.

Sincerely,



E. Michael Hunter
Director
Yukos Minority Shareholder Coalition