



Embassy of the United States of America

Moscow, Russian Federation

June 15, 2008

The assessment of the political and economic situation in the Saratov region indicates of probable early negative result of business activities of ExpoPUL, CJSC.

Since 1998, ExpoPUL has been 100% owned by New Sensor Corporation specializing in production of vacuum tubes for music amplifiers. The company is headed by U.S. national Mike Matthews. He bought out most production facilities of Plant #338 PUL – the leading Russian military-industrial complex enterprise in production of high-vacuum tubes and microelectronics.

As a result of joint efforts made by relevant departments, and a number of transactions under our control, open joint-stock company called Reflector was sold up in 2005 for 24ml rubles.

At the moment, company ExpoPUL is located on the territory of the defense enterprise called Refoptoelectronica which manufactures parts for the Igla MANPADS. The close proximity of ExpoPUL to the primary production shops gives an opportunity for unrestricted monitoring of the Russian defense enterprise, as well as making required measurements, and picking production specimens. Therefore, over the 2000 to 2006 period, the U.S. Government saved \$10bl of budgetary funds for the purpose of the Igla MANPADS countermeasures engineering thanks to the data collected by M. Matthews.

We continued subversive activities on the manufacturing area of Refoptoelectronica but were not able to go through with it because of a wrangle between the involved commercial entities. By the year 2006, the manufacturing area had been taken over by a Saratov financial group called Russian Business Estates, or R.B.E. Its board of directors offered M. Matthews sell out the manufacturing area occupied by ExpoPUL, but it was under our constraint that he declined the offer.

The thesis of the R.B.E.'s "takeover" activities being spread by way of informational campaign in the Saratov media, we managed to tune public opinion against the R.B.E. Our position in the arbitration court, the prosecutor's office, the regional authority, and the antimonopoly service also helped forward the scheme.

In 2007, a group called Samara Business World (SBW) became a new owner of the holdings of Reflector (OJSC), thereby interrupted the attempts to our further activities.

In the course of the controversy with SBW, we intended to make use of the support by the government of the Saratov region. For this purposes we sent a letter to Director General of Department of Justice in the Volga Federal District V. Tatarchuk and Saratov Region Governor P. Ipatov with a petition to interfere in the controversy.



As a result of our activities, it was by our request that the Ministry for Industry and Power Engineering of the Saratov Region formed a working group on 31 March "with a view to settle a controversy between the involved commercial entities". The working group consists of Deputy Minister of Industry and Power Engineering K. Gorshenin, Federal Inspector of Rostekhnadzor, Head of a department at the Saratov State Technical University, and Deputy Director of the Agency for Power Supply in the Saratov region. In order to lighten control over the administrative resource, the wife of Deputy Governor of the Saratov region Shcherbakov was appointed to a post of Deputy Director of ExpoPUL. In addition to that, Shcherbakov heads the anti-takeover commission. These circumstances so far helped ExpoPUL remain in winning position as compared to other participants of commerce.

However, despite our achievements in pressing the case, in June 2008, the arbitration court of the Saratov region decided in favor of group of companies of Samara Business World. Carrying out the decision of the court might result in a setback and also hinder the execution of the strategic course.

Reasoning from the concerns of the U.S. in the area, the main task should be increasing pressure upon the government of the Saratov region to achieve suitable issue of suit. Execution of this plan has crucial meaning. Despite our attempts of depressing the military-industrial complex of the region, it keeps holding the leading position in supplying Russian armed forces with required military equipment.

Alongside with that, in order to create favorable conditions for the advancement of supported political leaders to power, our primary task is to keep supporting M. Matthews who backs the activities of regional democratic opposition via a network of institutions we founded, as well as to infuse distrust into the population of the region to the current authorities and the incapable corruptible regime.

As consistent with the documents sent earlier by the U.S. Embassy to the Department of State, we used the allocated funds to create a system of controllable region-scale print and electronic media.

With a view to ensure prospective interests of the U.S.A. in the region using present potential of ExpoPUL, and also with the aim of maintaining contacts with the "new-made" leaders of democratic opposition in case of unsuitable court decision, I suggest to concentrate further activities upon discredit of current political authority of the Saratov region in the face of the population. This being done, critical state of economy should be charged upon Governor P. Ipatov and his cabinet.

We believe it advisable to discredit Deputy Governor Shcherbakov in person via introduction of damnatory evidence on his wife's implication in financial fraud, and taking large scale bribes for an appointment of public officials.

For this purpose, it is required to increase financial support of M. Matthews up to \$2ml, as well as provide extra funds for the activities run by the supported regional media.

With a view to minimize the influence of Russian government authority on the current situation, it is recommended to line up appeals by American leading experts and politics to Russian government with a petition not to interfere in the legal proceedings.

William J. Burns
The U.S. Ambassador to Russian Federation