

**SADKO
MOBILE**

Investment Fund Reform

New Funds as Investment Vehicles: Implications for Investment in Russia

Yuri Ammosov,
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Telephone: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

2

May 24, 2008

CONTACT:

Yuri Ammosov
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Cell: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

NEW

- ◆ Qualified Investor concept
- ◆ Commitment principle
- ◆ Privacy and disclosure exemptions
- ◆ Controlled by fund beneficiaries
- ◆ Extended expenses billable to the fund

OLD

- ◆ 100% tax transparent
- ◆ No restrictions for non-residents
- ◆ Licensed and regulated activity
- ◆ Fixed fund rules template
- ◆ Mandatory service partners
- ◆ Some other legacy retail-type restrictions

*SADKO
MOBILE*

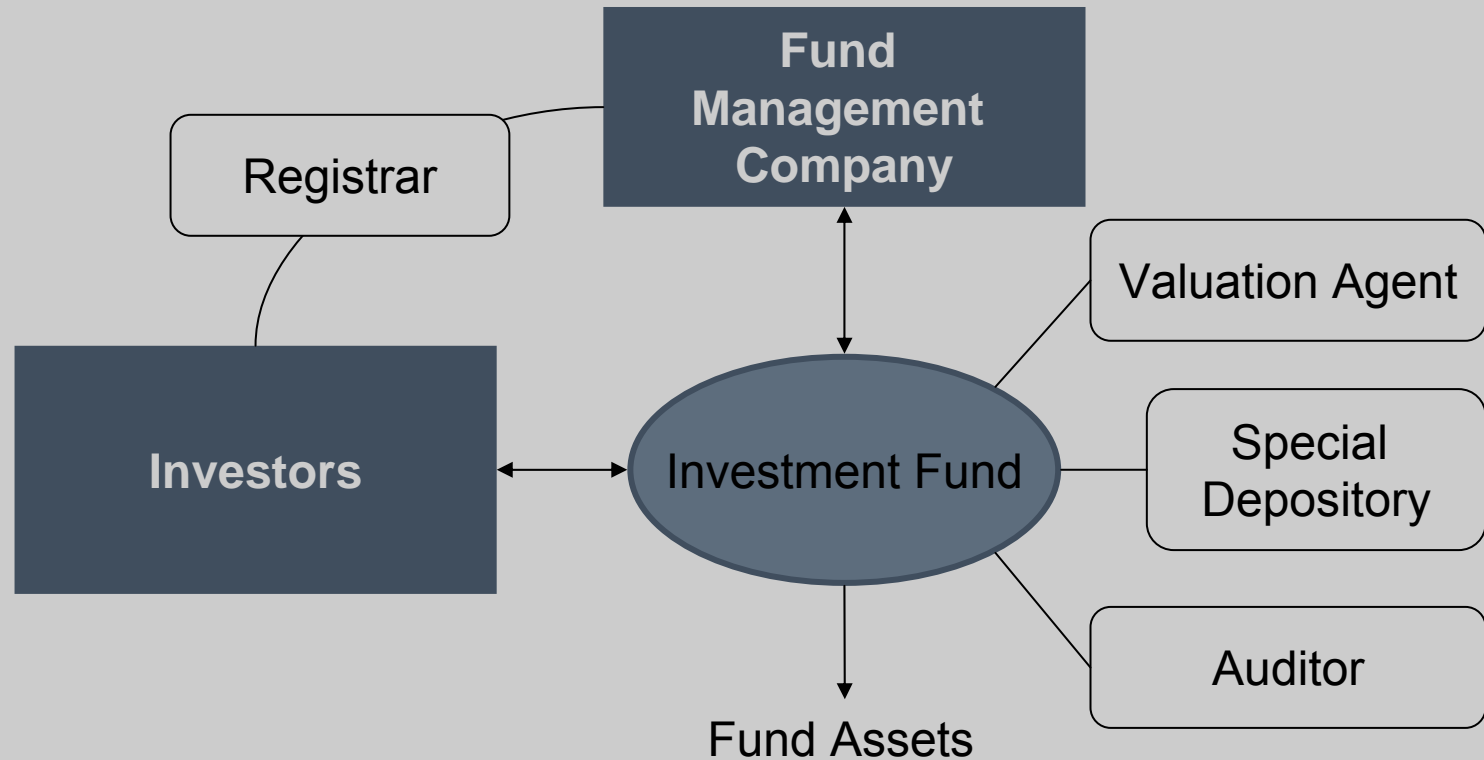
The Basics

Yuri Ammosov,
President, Sadko Mobile

Email: ya@sadko.mobi
Web: http://sadko.mobi
Telephone: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

4

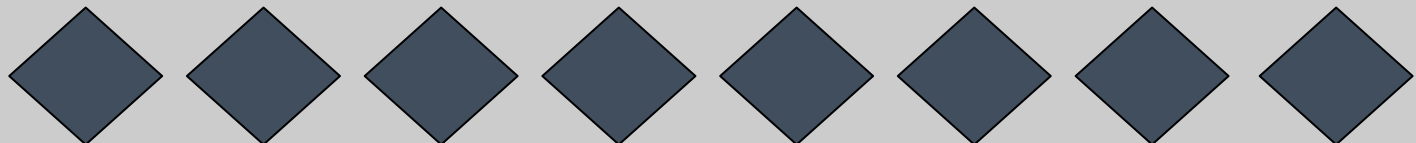
May 24, 2008



CONTACT:

Yuri Ammosov
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Cell: +7 495 743 0524
Skype: ammosov
ICQ: 5642925



5

May 24, 2008

- ◆ 100% tax transparent
 - ◆ Fund is not a legal entity
 - ◆ All taxes due are paid by fund beneficiaries (unit holders)
 - ◆ All taxes are paid on distributions from the fund only
- ◆ Can foreign entities buy fund units?
 - ◆ YES

CONTACT:

Yuri Ammosov
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Cell: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

6

May 24, 2008

CONTACT:

Yuri Ammosov
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Cell: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

- ◆ A licensed professional organization
- ◆ Main license requirements
 - ◆ Capital > RUB 20 M
 - ◆ 3 or more licensed Investment Advisors
(professional employees are frequently licensed;
smaller special purpose fund companies usually hire
part timers;)
 - ◆ Licensed Fund Controller (smaller companies typically
outsource)
- ◆ Time to get a license – from 45 to 60 days
- ◆ Time to register a new fund or amend a fund
charter – 30 days (license required)

May 24, 2008

CONTACT:

Yuri Ammosov
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Cell: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

- ◆ Fund Registrar
 - ◆ Keeps registry of fund's unit holders
- ◆ Special Depository
 - ◆ Deal validation and compliance with investment declaration
 - ◆ Safekeeping of fund's asset rights
 - ◆ FFSM license required
- ◆ Valuation Agent
 - ◆ Independent valuation of fund's assets
 - ◆ Can be a person or entity (normally, entity)
- ◆ Auditor
 - ◆ Regular audits

**SADKO
MOBILE**

The Reform

Yuri Ammosov,
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Telephone: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

9

May 24, 2008

CONTACT:

Yuri Ammosov
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Cell: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

PERSONS

- ◆ Assets > RUB 3M
- ◆ > 1 year professional securities experience (> 3 year non-qualified)
- ◆ Trading volume for own account > 300K in 12 months in > 10 deals quarterly

ENTITIES

- ◆ Assets > RUB 3 B
- ◆ Capital > RUB 100M
- ◆ Revenue > RUB 1 B
- ◆ Trading volume for own account > 3M in 12 months in > 5 deals quarterly

2 out of 4 must be satisfied

Status awarded by Fund Management company

10

May 24, 2008

CONTACT:

Yuri Ammosov
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Cell: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

◆ Commitments

- ◆ Based on purchase-sale agreement; no additional regulation
- ◆ Failed commitment results in unit cancellation; existing agent can

◆ Control by investors

- ◆ Investors can approve deals via Investment Committee
- ◆ Investment Committee decisions are legally binding on Management Company

◆ Expenses billable to fund

- ◆ Management company can bill to the fund professional service fees, expenses of being an active investor etc.

11

May 24, 2008

- ◆ Must be listed in investment declaration
- ◆ Russian assets – nearly all
 - ◆ Debt, equity, real estate
 - ◆ Minimum %% for venture funds – 25%
 - ◆ Minimum %% for private equity funds – 50%+1
- ◆ International assets OK
 - ◆ Currently only listed securities
 - ◆ Non-listed securities are in the pipeline

CONTACT:

Yuri Ammosov
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Cell: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

12

May 24, 2008

CONTACT:

Yuri Ammosov
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Cell: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

- ◆ New fund rules template – under review
 - ◆ Government approval expected before fall 2008
- ◆ Valuation rules
 - ◆ Special provisions for commitment-based funds are in the works
- ◆ Disclosure
 - ◆ Limits of privacy will be detailed and validated
- ◆ Extended list of allowed assets
 - ◆ Plain vanilla derivatives will be included
 - ◆ Exotic derivatives, commodities, IP etc is in the pipeline

SADKO
MOBILE

The Primer

Yuri Ammosov,
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Telephone: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

May 24, 2008

CONTACT:

Yuri Ammosov
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Cell: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

- ◆ Real estate – excellent
 - ◆ Already most closed end funds are proxies for commercial real estate
- ◆ Wealth management – good
 - ◆ Full control, no disclosure, asset protection
- ◆ Direct equity (PE, VC) - reasonable
 - ◆ Commitments, no disclosure, special VC provisions
 - ◆ A number of finer issues are still being resolved
 - ◆ Non-Russian assets cannot be held yet
- ◆ Hedge funds – fair
 - ◆ Limited list of derivatives
 - ◆ Category is still under development

15

May 24, 2008

- ◆ 4 months before the fund is operable
- ◆ RUB 25-30 M (RUB 20 M for capital)
- ◆ 3 part time licensed specialists
- ◆ 4 service partners
- ◆ Expert legal advice
- ◆ Ongoing securities compliance work

CONTACT:

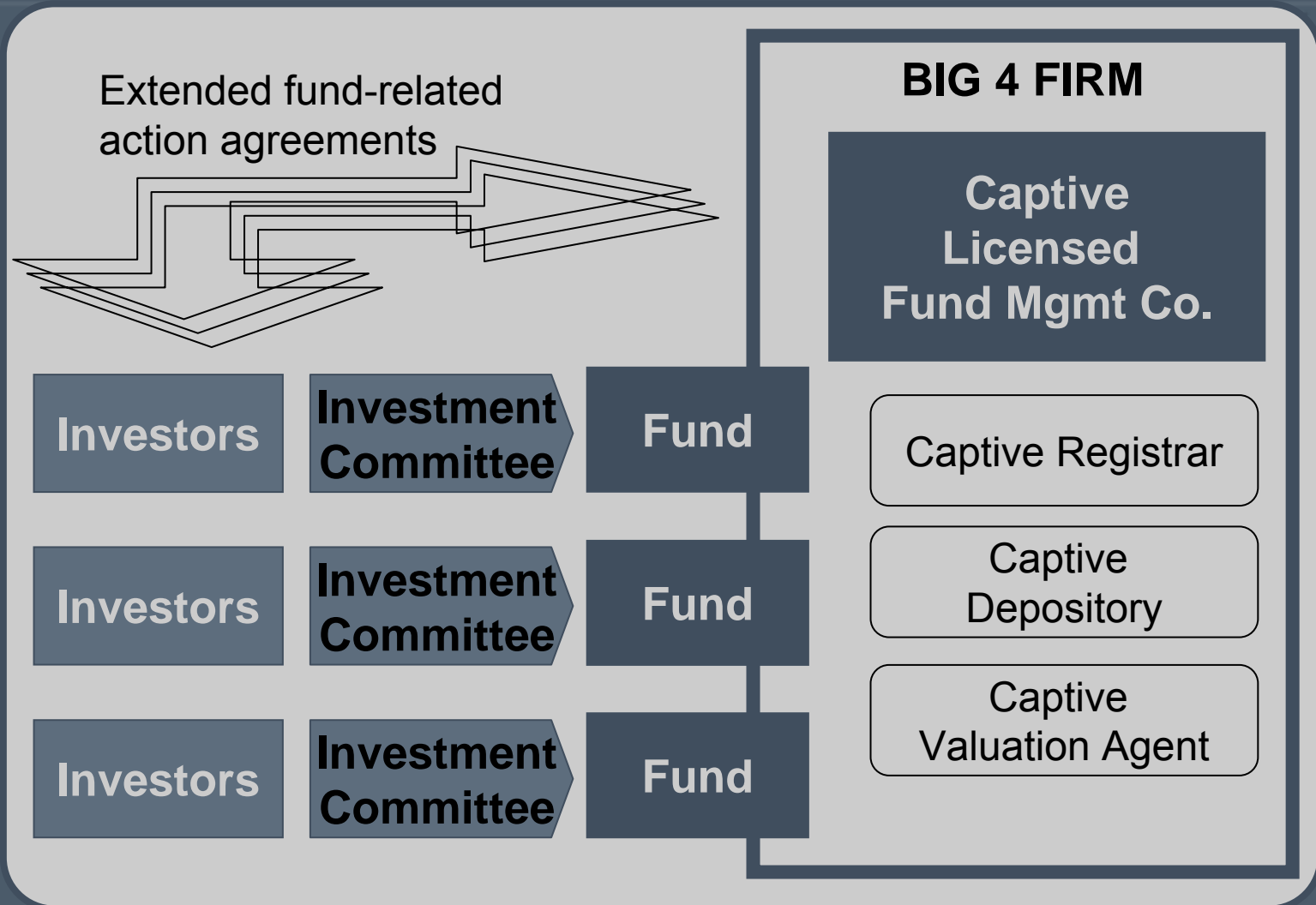
Yuri Ammosov
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Cell: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

Hypothetical Service Structure

16

May 24, 2008



CONTACT:

Yuri Ammosov
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Cell: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

17

May 24, 2008

CONTACT:

Yuri Ammosov
President, Sadko Mobile

Email: ya@sadko.mobi
Web: <http://sadko.mobi>
Cell: +7 495 743 0524
Skype: ammosov
ICQ: 5642925

◆ US – Reg D

- ◆ Limited partnerships as funds
- ◆ No SEC licence (managing entities are normally BDCs)
- ◆ 4 entities (fund, LPs, GP managing, GP ownership)
- ◆ ~500K legal fees, >200 pages, 2% agent commission

◆ China

- ◆ 5 entities: Cayman-Hong Kong-WOFE-JV-PRC
- ◆ Several suitcases of documents

◆ Russia

- ◆ 3 entities + service partners
- ◆ <100 pages

**SADKO
MOBILE**

Thank you

for not leaving by now

Yuri Ammosov,
President, Sadko Mobile

Email: ya@sadko.mobi
Web: http://sadko.mobi
Telephone: +7 495 743 0524
Skype: ammosov
ICQ: 5642925