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U.S. Bankruptcy Court**Southern District of Texas**

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Affidavit Re: *of Bruce K. Misamore in Support of First Day Motions* Filed by Yukos Oil Company (Clement, Zack)

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04-47742 Notice will be electronically mailed to:

Zack A Clement zclement@fulbright.com

US Trustee USTPRegion07.HU.ECF@USDOJ.GOV

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	
Yukos Oil Company,	§	Case No. 04-47742-H3-11
Debtor.	§	Chapter 11

STATE OF TEXAS	§
	§
COUNTY OF HARRIS	§

AFFIDAVIT OF BRUCE K. MISAMORE

PERSONAL INFORMATION

1. My name is Bruce K. Misamore. I am the Chief Financial Officer and a Member of the Management Board of Yukos-Moscow, the managing company of Yukos Oil Company. I am also currently a Director on the US-Russia Business Council in Washington, D.C. I am an American citizen and I live at 6791 Lempira Court, Houston, Texas. I have maintained my permanent residence at this address since July 1991, despite time also spent working and living in Moscow. I have worked for 27 years in the oil and gas industry, in Houston, London, Findlay (Ohio) and Moscow. From December 1998 to October 1999, I was Senior Vice President at PennzEnergy Company in Houston, and before that I spent over five years at Pennzoil Company in Houston as, among other positions, Vice President and Treasurer. Prior to that I spent 17 years at USX Corporation/Marathon Oil Company, including time in its Houston office, in a host of different roles, including Director of Corporate Finance and Manager of Financial Planning. In 1972, I received a B.S.B.A. in Finance, Banking and Credit Management, and in 1973, I received an M.B.A., with

concentration of finance, both degrees undertaken and awarded from Bowling Green State University, Bowling Green, Ohio.

2. In January 2001, I was asked by Mikhail Khodorkovsky, then CEO of Yukos Oil Company (“Yukos”), an open joint stock company organized under the laws of the Russian Federation, to consider a position serving as the company’s Chief Financial Officer. I accepted the company’s offer of employment and joined Yukos in February, 2001, relocating myself and my wife to Moscow, Russian Federation (“Russia”) shortly thereafter. The facts set forth herein are within my personal knowledge and are, in all things, true and correct.

OUR AIM OF BUILDING YUKOS INTO A TRANSNATIONAL ENTERPRISE

3. Before joining Yukos, I researched the company thoroughly and knew from what I had read about the company’s history that I would be joining a leading emerging multinational oil and gas company. Yukos was created by the Russian Government in 1993 as a state-owned entity through the consolidation of a number of other state-owned oil entities. Through a privatization process in 1995 and 1996, Yukos basically became Russia’s first fully privatized oil company. Despite the involvement of private investors though, the company was still suffering from the effects of mismanagement during state ownership and was facing the bankruptcy of its main oil production subsidiary, Yuganskneftegas (“YNG”). It even still owed the Russian Government more than US\$ 3.5 billion. However, through the implementation of a deliberate and focused strategic plan, the company’s fortunes were all being turned around by the time I became the company’s CFO in 2001.

4. In May 1996, Mikhail Khordokovsky, the man who later brought me to Yukos, had stepped in as CEO of Yukos, bringing a dynamic, experienced and professional management team with him. The task assigned to the new management was clear: transform

Yukos into a multinational enterprise, managed in accordance with the highest international standards of operational efficiency, transparency, and corporate governance. This same objective was also spelled out to me when I joined in 2001. My role, as CFO, was to build on the work that had already been accomplished by the management team by taking it to the next level, with a particular emphasis on globalizing the company.

5. Before I had joined the company, Yukos had completely repaid all the debts it owed to the Russian authorities and had increased its production capacity by reinvesting its profits in its Russian operations. While we have been able to pay substantial dividends to our investors, reinvesting a significant amount of our profits back into the company's Russian operations was a fundamental cornerstone to our success and continued until the Russian Government began taking the funds which otherwise would have been reinvested.

6. Internationalization of Yukos was pivotal to the turnaround of the company's fortunes. The company's corporate culture had to be developed into one that would attract international investors. For this purpose, Yukos undertook a number of steps, many of which were firsts for any Russian company. A Corporate Governance Charter was adopted in 2000, setting policy standards to guide the company towards becoming a fully transparent, multinational corporation. An independent Board of Directors was also set up with nearly half of the Board consisting of professionals from outside Russia with significant international business experience. In 1999, we became the first Russian oil company to switch to international accounting standards. Since that time, the company has published its annual financial statements in U.S. GAAP format back to 1997, and until the Russian Government attacks started in 2004, had issued regular quarterly U.S. GAAP reports since 2001. In June 2002, I was involved in the decision to disclose the company's management

and ownership structure to the public, including recommending that the names and holdings of its core shareholders also be disclosed. This was important for international investors who prefer companies that have full transparency of ownership and management. Again, in taking this step, we became the first large Russian company to make such a disclosure. The company also has had all of its annual reports audited by an international auditing firm, PriceWaterhouseCoopers, the results of which we also publically disclosed.

7. In 2001, the year I joined Yukos, the company's annual oil production output increased by 17 percent, and then by 19 percent in 2002. By 2002, we accounted for over 18 percent of Russia's total oil production, pumping an average of 1.4 million barrels a day. Today, Yukos and its subsidiaries are the largest producers of crude oil in Russia and the largest exporters of crude oil from Russia. Together we produce nearly 20% of all the crude oil produced in Russia, and refine and market slightly less than 20% of the refined products in Russia. This makes us one of the largest oil-and-gas companies in the world. In 2003, for example, Yukos' production was 80.8 million metric tons (591 million barrels) of crude oil and gas condensate, which is a production capacity exceeding that of some household name international oil companies, and even some of the OPEC countries.

8. In December 2002, Standard & Poor's rated Yukos "BB with stable outlook," and in January 2003, Moody's Investor Service assigned the company a rating of "Ba2." This was very important for us as a reflection of the quality of the company because, at the time, these were the highest long-term and foreign currency issuer ratings for any private Russian company, and in the case of Moody's, Yukos was rated higher than the Russian Federation. Mikhail Khodorkovsky deservedly won the 2002 "Entrepreneur of the Year" prize, awarded annually by Russia's leading business newspaper, Vedomosti, which is published jointly by

the Financial Times and the Wall Street Journal. That same year, the Russian government named Yukos the “Best Company for Compensation and Social Payments Programs,” as well as for the “Implementation of Social Programs at Enterprises and Organizations” in recognition of our work with social programs for our employees and local communities. We also won a number of awards for our charitable and philanthropic work in Russia and abroad, and for corporate governance, investor relations and risk management.

9. On the professional side, I was also heavily involved in Yukos’ negotiation and execution of joint venture investment and strategic alliance agreements with major international companies. From 2001 through 2003, we were engaged in discussions with a number of other major United States based oil companies about their purchasing equity in our subsidiaries. Yukos’ principal shareholders also had discussions about selling substantial amounts of their shares to various of these companies.

10. Even though it started as a completely Russian company, the multinationalization of Yukos has meant that today it has significant foreign ownership. Approximately 53% of Yukos’ shares are owned by a Cypriot company through Isle of Man and Gibraltar parents. Approximately 24% of the common stock of Yukos is owned by entities, many of which are United States residents, who purchased their stock through public market sources. Approximately 15% to 19% of Yukos’ common stock is, or has been, owned by large institutional investors, many of which are, again, in the United States. In addition, we have international subsidiaries in a dozen locations or so, including in the USA, Switzerland and the United Kingdom.

YUKOS' TIES TO THE UNITED STATES

11. In seeking foreign investment into the company, we specifically set our sights on seeking investment from the United States and Europe. We engaged in substantial investor relations and speaking engagements throughout the United States and Europe to attract and solicit investors and lenders, including meetings in Houston, the center of the energy industry. In 2002, for example, Mikhail Khodorkovsky was a keynote speaker at the Baker Institute in Houston, talking about the need for investment in Russian companies such as Yukos. He was also a regular keynote speaker at the CERA (Cambridge Energy Research Associates) Week conference in Houston, sponsored by Cambridge Energy Research Associates, the largest oil and gas conference in the world, held annually. Also, as part of his worldwide philanthropy, he gave generously to a number of foundations and charitable institutions in the U.S. I also spoke at industry events throughout the United States and Europe and at non-industry meetings such as the International Chamber of Commerce.

12. Our Manager of Investor Relations and I were regular participants and speakers at oil, gas and emerging markets investor conferences in the United States and Europe on behalf of the company. He and I also met regularly in the United States and Europe with the investment management arms of major investment banking firms, large asset management firms, major institutional investors and other organizations including the U.S. Government. In 2003 and 2004, Yukos won the IR Magazine award for best investor relations for an emerging market company in the London market, and in 2004, I was named the best CEO/CFO in Russia for investor relations by the magazine.

13. The company has links to Houston and the United States in general. Some of Yukos' top expatriate executives have been educated in Texas schools or have come from the United States oil and gas industry based here in Houston. Steven Theede, Yukos' current

CEO, for example, was formerly a senior officer of Conoco based here in Houston. I was a former officer of PennzEnergy Company, Pennzoil Company and Marathon Oil Company, all based here in Houston.

14. Yukos also has historic ties with Houston and Texas. In 1994, Yukos had a business development function in Texas. As recently as September 2004, one of the company's subsidiaries had an employee in Houston who conducted business activities in Houston on behalf of Yukos. On the commercial side, Yukos, through its subsidiary Petroval, has shipped oil to the Houston, Texas area and has purchased equipment and services from providers based in the city. Members of Yukos' management team make regular trips to Houston for business activities.

15. On the back of this success, both in attracting investment and in increasing productivity by reinvestment, the value of Yukos' shares increased exponentially after 1998. The company's shares trade on stock exchanges in Moscow. Currently, substantial amounts of Yukos' American Depository Receipts ("ADRs") are traded in the U.S. on the over-the-counter market pursuant to a Level 1 ADR program we instituted in March 2001. In this regard, we registered with the Securities and Exchange Commission under the Securities and Exchange Act of 1933 and appointed an agent for service of process here in the United States. Yukos was actively working to upgrade its ADR facility to Level II under the U.S. Securities so that ultimately its ADRs would be traded directly on the New York Stock Exchange. Today, our ADRs are traded over-the-counter in the U.S., directly on the Stuttgart, Berlin, Frankfurt and Munich stock exchanges, and through the London Stock Exchange International Order Book.

16. All in all, Yukos was *the* success story of the new Russian Federation. I believed that Yukos had major potential to become such an international player when I first joined the company, and this was a principal factor in drawing me out of temporary retirement. By October 2003, the estimated market capitalization of Yukos' stock had been over \$40 billion. After some downward movements, the stock recovered and in April 2004; the company's market capitalization was again over \$40 billion. Little did we know what was to come. Within only eight months, between April and December 2004, this company which we spent years building into a highly transparent, respected multinational corporation, worth over US\$ 40 billion in market capitalization, was subjected to a series of malicious politically motivated attacks, improper taxes, seizures, confiscation, investigations and intimidation by the Russian Government in apparent retribution – at least initially – for Mikhail Khodorkovsky's political activities and complaints about governmental corruption. Despite our best efforts to protect the company, the Russian Government has so far succeeded, and has left us with no choice but to seek bankruptcy in Houston.

THE GOVERNMENT ATTACKS YUKOS

17. Attacks on Mikhail Khodorkovsky began with strikes against two of his business partners. Platon Lebedev, Chairman of Group Menatep Limited, Yukos' largest shareholder, was arrested in July 2003 on charges of fraud and tax evasion relating to the privatization of a fertilizer company, and Vasily Shakhnovsky, a member of Yukos' Management Board, was charged with tax evasion. In July 2003, the Government raided our offices – in an incredible scene full of armed, masked officers – during which they trawled through our computer records for approximately 17 hours. On October 25, 2003, Mikhail Khodorkovsky himself was arrested at gunpoint in Siberia by Government agents in a theatrical display of power

and was jailed on what are universally held to be clearly false charges of tax evasion, theft of state property, and fraud.

18. Yukos, as a company, was very careful not to get involved in politics other than the normal general corporate lobbying efforts of any company. Mikhail Khodorkovsky's contributions to opposition parties, for example, were not made from any of our corporate accounts. While everyone at the company was, of course, concerned about Mikhail, we never seriously thought that Yukos itself would be in danger. After all, we were the success story of the new Russian Federation. The world was watching us and we could not imagine that the Government would take action against us without a legitimate reason to do so. We were wrong. The Government apparently decided – having learned from actions it had previously taken against other so-called “oligarchs” – that the best way to attack Khodorkovsky would be to eradicate his wealth; and his wealth was predominantly in one company: Yukos. Following his arrest, in December 2003, the Russian Ministry of Taxation conducted a perfunctory two-week special audit of our company's books. There were no problems of which we were aware which should have triggered such an audit. Yukos' books were prepared according to U.S. GAAP and Russian accounting standards, audited by PWC, and made transparent as part of the company's overriding corporate philosophy. As one of Russia's largest taxpayers, Yukos' tax management team were in constant communication with the national and regional Russian tax authorities, who had consistently approved all of our previous filings and had confirmed their correctness through audits.

19. To everyone's surprise, after just a two-week audit, the Government sent us an audit report claiming an incredible US\$ 3.4 billion for the year 2000. I was astonished that in light of the audits of the taxing authorities in confirming that our books and tax payments

were correct each and every year, they suddenly “discovered” that we had allegedly failed to pay an amount as large as US\$ 3.4 billion.

20. That was just the start. Since then, the improper tax assessments have not stopped being levied, in the billions, on a persistent basis – nearly every week. Today, they total over US\$ 27 billion on Yukos and its subsidiaries. The assessments involve absurd claims that contractual arrangements entered into by various legal entities were instead attributable to Yukos, that Yukos misused tax abatement incentives granted under Russian law, improperly claimed VAT refunds from the Government and made unlawful transfers between Yukos’ affiliated companies. What the Government has chosen to ignore though is that every action we took which they now say is against the law (a) was either expressly authorized by or not prohibited under Russian tax law, (b) was used by many Russian companies that have not received tax assessments anything similar to those against Yukos, and (c) concern some tax years for which Russian federal authorities had expressly indicated to us that no additional taxes were due.

21. What the Government is essentially doing is making a selective and retroactive reinterpretation of the tax law that we could never have anticipated when the transactions were undertaken. The actual taxes though are only the beginning. In addition to the amount of the taxes, we have been slapped with huge default interest, penalties, and fines. The cash which the Government is collecting from Yukos’ bank accounts to pay the improper tax claims has jeopardized our ability to conduct business. The most striking part about these taxes is when they are compared to the company’s gross revenue for 2001 and 2002, the assessments have been in excess of 100% of our annual consolidated gross revenue, and in

excess of 80% of our 2003 consolidated gross annual revenue. That is as much as four times the industry average taxes and, to my mind, clearly confiscatory.

22. We have tried our best to defend ourselves against these taxes before the Russian courts. We hired Sergei Pepeliaev, a respected tax lawyer who helped author many of the Russian tax laws and who is generally considered the leading tax lawyer in all of Russia. Nevertheless, beginning in May 2004, the company has not won any of its tax cases. With little or no separation of powers in Russia, the Russian administration exerts near total control over its judiciary. There have been plenty of examples showing how the judiciary has consistently ruled in favor of the Government: in one case, the Tax Ministry was allowed to present its case for three days, while we were only given three hours; in another, the court gave us just a few hours to review a full 342 volumes of documents; in another case, the court refused to even open 255 volumes of documents submitted in our defense before passing judgment against Yukos; and in yet another case, certain evidence presented by the Tax Ministry and used by the court to make a finding was not even provided to Yukos.

23. Concluding that we would never find justice within the Russian judicial system, we have also tried – in vain – to settle this matter outside of the court apparatus in an effort to save the company, preserve whatever shareholder value we could, and get on with rebuilding Yukos. I know that we have sent over 70 letters to various Russian authorities, trying to reach a settlement for these assessments. We have offered a host of reasonable solutions: cash settlement, periodic payments according to an agreed schedule, and Mikhail Khodorkovsky even offered to give the Government his equity in the company. All our letters and pleas have been substantively ignored.

24. In fact, instead of seeking to resolve the disputes, the Government has continued to seek to destroy our company, utilizing the full apparatus of its court system. In October 2003, days after Khodorkovsky's arrest, it froze Group Menatep Limited's shares in Yukos. In July 2004, it obtained a court order freezing our bank accounts and forbidding the sale of any assets of Yukos, YNG, and Yukos' other directly-owned subsidiaries, including Samaraneftgas ("SNG") and Tomskneft ("TN"). As a result, the Company has not been able to sell assets or access this cash to reinvest in our operations, operate our businesses, disburse company expenses, ensure salaries to our employees, satisfy any amounts levied by these tax assessments, and most importantly of all, pay current taxes. The Government has also obtained a collection order from its courts permitting it to seize money directly from Yukos' bank accounts. Yukos has paid to the Government over US\$ 4 billion since just July both voluntarily and through these collections. We have told the Government many times that much of the money in these bank accounts does not belong to Yukos – it is received by Yukos as agent for subsidiaries not involved in the tax dispute, and for third parties in joint ventures with Yukos, but they have not listened. By forcing Yukos to operate without sufficient cash, the Russian Government has purposely driven the Company to bankruptcy and, in the interim, is forcing it to risk losing some operating licenses, one of Yukos' most valuable assets.

25. Recently, the Government has put into place a plan to accelerate the Company's demise. The Government has persuaded its courts to allow it to attach Yukos' shares of the common stock of YNG, our principal oil and gas producing subsidiary, and of our other major oil and gas producers, SNG and TN. In contravention of Russian law, and despite many appeals regarding tax matters pending before the Russian judiciary, the Government

has announced that it will conduct an auction of YNG's shares, the result of which is scheduled to be announced on December 19, 2004, supposedly to raise money to pay a portion of Yukos' \$27.5 billion tax bill. I understand that, under Russian law, bailiffs are only allowed to attach assets pursuant to court order in a mandatory order of preference: (i) cash, (ii) non-operating assets, (iii) operating assets, and (iv) assets of private shareholders and directors, if appropriate. Clearly, this law was designed to protect against the Government picking and choosing which of a debtor's assets it takes. In Yukos' case though, in the face of the clear language under the law, bailiffs immediately seized YNG's shares. YNG is the oil producing heart of this company. Of course, we immediately appealed the Government's actions but, not surprisingly, the Russian court approved of this attachment of our core operating assets.

26. It has been reported that Gazprom, another oil and gas company, has been instructed by the Russian Government, its principal shareholder, to bid for the shares in YNG at the auction. I have also read that two other entities have reportedly filed with the relevant authorities to bid at the auction: OAO First Venture Company and ZAO Intercom. I have been in the oil and gas industry for over 27 years, including in Russia for almost 4 years, but I have never even heard of these companies and would be surprised if they could assemble the capital they would need to be legitimate contenders in the auction. These other companies may just be nominal, as under Russian law, at least two companies have to bid in order for the auction to be "legitimate." According to what I have read in the newspapers, Gazprom is raising financing for its bid at the auction from a consortium of international banks. Not surprisingly, no international company has acknowledged that it will bid for the shares of YNG. That is because it is likely that there can only be one real winner in this

auction: Gazprom. It is no coincidence that Gazprom is set to become a majority state-owned oil company early next year when it is scheduled to merge with Rosneft, the Russian state-controlled oil company.

27. The price for the sale of YNG's shares has been set by the Russian Government at well below fair market value. By forcing down the value of the sale of YNG shares in the auction, the set-off which the Government says that it will make against Yukos' tax bill will still leave a substantial claimed tax liability. Using this as an excuse to sell more of Yukos' assets, the Government will likely conduct similar auctions for other principal subsidiaries. By forcing the auction of our major oil producing subsidiaries, the Russian Government will utterly strip Yukos of virtually all of its value, damaging thousands of international investors.

28. At the Government's request, Dresdner Kleinwort Wasserstein valued the shares of YNG in preparation for the auction. It came back with a valuation of between approximately US\$ 15-18 billion, after considering potential liabilities. In making its valuation, Dresdner: (i) reduced its valuation significantly for the alleged taxes owed by YNG; and (ii) reduced its valuation for YNG alone for guarantees owed collectively by a number of Yukos subsidiaries for loans taken out by Yukos. Nevertheless, despite independent bank appraisals reporting an asset value of about US\$ 20 billion, the Government has decided to set the auction to start at significantly under US\$ 9 billion, less than half the valued amount. With the price of crude oil today, and the identified recoverable resources which we believe are in YNG's portfolio, a fair auction could value YNG well in excess of US\$ 20 billion. I agree with the reports in the press that this auction is being organized by the Government so that it can sell our crown jewel to a Government-owned

entity for an artificially low price. If the auction is consummated, Yukos will be severely and irreparably damaged.

MOVING YUKOS' COMMAND TO HOUSTON

29. To date, there has been no evidence that the Russian Government has changed course in its desire to destroy Yukos. In fact, criminal prosecution with no basis whatsoever against people related to Yukos has accelerated. Attacks have proceeded far down the ranks, including arrests of Yukos' managers, intimidation of its employees thorough illegal searches of their homes and confiscation of personal property of the company and its managers. Within the past week, for example, Svetlana Bakhmina, a young Deputy General Counsel of Yukos and the mother of two young children, was arrested at night at her home in Moscow on yet further meritless criminal charges. It has been reported to me that she is currently in a semi-conscious state unable to recognize colleagues shown to her. This is just a solitary yet eminently repugnant example of a series of such recent malicious arrests of Yukos employees and outside service providers. Diplomats and other high level emissaries have sought to intervene with the Russian Government on these matters, but to no avail.

30. As the Russian Government has continued on its path against Yukos and its personnel, we have increased our business presence in the United States and Houston specifically. Two weeks ago, I was on my way back to Russia after a business trip when I received an informed message advising me not to return for my own safety. I immediately called my wife, who was waiting for me at our home in Moscow. I told her to pack all our possessions and belongings at once. My wife and I returned to our home in Houston, Texas on December 4, 2004. Since then the role of Chief Financial Officer for Yukos has been conducted out of my home office in Houston, Texas.

31. Since December 5, 2004, the company has been forced to hire a western law firm to deal with the company's insolvency and related arbitration issues. As a result, a substantial retainer was paid to Fulbright & Jaworski L.L.P., which is property of Yukos Oil Company, and is being held here in Houston, Texas at Wells Fargo Bank. This money was transferred from a non-Russian subsidiary for the benefit of Yukos. Additionally, earlier this year when shareholders sued Yukos in the United States under the U.S. securities laws relating to the precipitous decline in Yukos' stock, we placed a substantial retainer with Debevoise & Plimpton LLP in the United States to defend those U.S. securities fraud lawsuits.

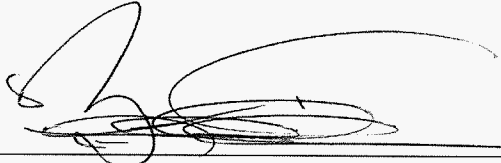
32. Since I returned to Houston, an additional approximate half a million dollars in cash was transferred from a non-Russian subsidiary for the benefit of Yukos and is on deposit in Houston, to ensure that Yukos has sufficient additional assets available: (1) for me to continue operating the CFO function of Yukos from Houston; and (2) to pay administrative expenses of the company's bankruptcy case pursuant to any Court orders. This property of Yukos is in an account in Houston at Southwest Bank of Texas, in the name of Yukos USA, Inc., a subsidiary of Yukos, organized under the laws of Texas, for the beneficial ownership of Yukos. This money at Southwest Bank of Texas is property of Yukos Oil Company.

33. Our Management Board made the decision that we had to file bankruptcy in Houston because our company is being rendered insolvent by unlawful Russian Government actions which have greatly damaged the Company and destroyed billions of dollars of value for investors. Our Management Board concluded that there is absolutely no chance of our obtaining justice in the Russian court system or from the Russian Government without

protection to preserve the core of the company and reorganize our affairs. At this point, we have made the decision not to file for bankruptcy for Yukos' various subsidiaries. If we are able to resolve our disputes with the Government, we are convinced that we will be able to receive all the relief that is necessary to provide a fair resolution to these issues and save the company as a whole.

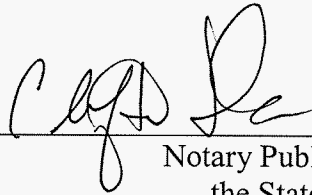
34. If this Court declines to use its jurisdiction over Yukos, billions of dollars of value once held primarily by U.S. institutional investors will vanish from Yukos forever. The value of the approximately 15% of Yukos' common stock that was owned by institutional investors in April 2004 (mostly United States institutional investors) has declined from approximately US\$ 6 billion to approximately US\$ 300 million, a loss of approximately US\$ 5.7 billion of value to these primarily institutional investors.

FURTHER AFFIANT SAYTH NOT.

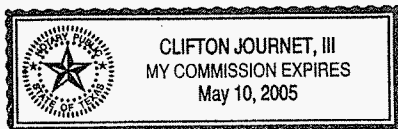


Bruce K. Misamore

SUBSCRIBED AND SWORN TO before me on December 14, 2004.



Notary Public in and for
the State of Texas



Clifton Journet, III

Printed Name of Notary

My Commission Expires: May 10, 2005