

The logo for PBN, consisting of the letters 'PBN' in a bold, white, serif font, centered within a solid black square.

THE PBN COMPANY

December 29, 2005

Hon. Franklin Lavin
Undersecretary of International Trade Administration
U.S. Department of Commerce
1201 Constitution Avenue, N.W.
Washington, DC 20230

Dear Undersecretary Lavin,

I am writing to encourage the U.S. Department of Commerce to grant Ukraine market economy status.

In making its final decision on Ukraine, we hope that the Department of Commerce will take into account the experiences of western businesses operating in the country.

The PBN Company has had a presence in the former Soviet Union since 1990 and has operated a representative office in Ukraine since 1998. Our experience in Ukraine provides unique insight into the country's economic and political environment. For the past eight years, The PBN Company has advised Western investors, large multinational corporations and domestic clients in Ukraine, as well as worked with the Government of Ukraine and a host of international organizations, including the World Bank and USAID.

The PBN Company and the many clients that we represent have witnessed over the last several years Ukraine's growing commitment to free market principles, as well as concrete actions by the Ukrainian Government to bring its domestic laws into full compliance with the standards of the World Trade Organization (WTO) and other international bodies. For example, through our work with the Coalition of Intellectual Property Rights, we have worked side-by-side with Ukrainian officials and have witnessed firsthand the historic progress the government has made in amending its intellectual property laws so that the country is in compliance with TRIPS and its WTO obligations.

The PBN Company's experience with the Western NIS Enterprise Fund is another good example of Ukraine's rapid development, improved investment climate and growing culture of good corporate governance. The Western NIS Enterprise Fund is the region's leading private equity fund investing in small- and medium-sized private

enterprises in Ukraine and Moldova. Since its inception, the cumulative investment commitment of WNISEF – nearly all in Ukraine – has grown to \$97.8 million in 26 companies. In fact, WNISEF's growth mirrors that of the country as a whole during the past decade: its retail market has undergone rapid growth, FDI has increased, and its economy has become ever more stable. Ukraine's progress is reflected in its jump in 2004 from eleventh to third place in the Global Retail Development Index (GRDI) rankings.

Over our years in Ukraine assisting both foreign-owned and domestic clients, we have not once encountered FDI-restricting or wage-controlling practices on the part of the Ukrainian government. On the contrary, foreign investment has grown steadily and the influence (and share of GDP) of the private sector in general and small and medium-sized businesses in particular has risen dramatically.

In summary, Ukraine has achieved success in developing and improving free market practices in all sectors of the economy. The PBN Company strongly believes that it is the appropriate moment for the Department of Commerce to recognize Ukraine as a market economy country.

We hope that you find this information helpful in making your final determination on Ukraine. Please do not hesitate to contact me if you have any questions or would like more information.

Best regards,



Paul Nathanson
Senior Vice President and Managing Director, Washington, DC
The PBN Company