



Update on STCU Building Status

The current STCU Building Usage Agreement between STCU and the State Property Agency (GDIP) expires on 1st November 2007, as does the rental lease between GDIP and the owner of the 21 Kamenyariv St. premises.

STCU sent a letter to GDIP and to the Ministry of Education and Science (MES) in March 2007 to remind the Ukrainian authorities that this lease issue would be arising and the STCU's preference to remain at 21 Kamenyariv so as to avoid a major and disruptive relocation. A response r from MES First Deputy Minister Mr. Gurzhiy was received on 29 May 2006 indicating that MES would try to keep STCU at Kamenyariv, depending on the lease negotiations.

During the last year, several interactions occurred between the Landlord and MES (of which STCU gained some second-hand insight), including MES requests for the Landlord to provide information such as a comparison of similar property rental prices. From what STCU could discern, these exchanges were only preliminaries to the start of lease renewal negotiations.

Then, in February, 2007, some investors arrived at STCU stating that they had seen the STCU building advertised for sale and were interested in inspecting the property. Also in February, STCU learned from the local electrical provider, KievEnergo, that the STCU building electricity was about to be cut-off due to non-payment by the Landlord of outstanding electricity bills. STCU warned GDIP of this threat, and GDIP apparently addressed the issue with KievEnergo and was successful in defusing the threatened electricity cut-off.

STCU then obtained a copy of a letter sent by the Landlord to GDIP/MES dated 20 February 2007 threatening to evict the STCU from the Kamenyariv premises by 1 April unless the Ukrainian government made its rental payments due since the start of 2007. Apparently, the Landlord has not received any rental payments for 2007 despite receiving new annex agreements by GDIP/MES to make changes to the rental payment schedule (it should be noted that because of annual delays in the Ukrainian governmental agencies releasing their state funds at the beginning of each calendar year, it is unfortunate but expected that the Ukrainian government will be late on payments in the first quarter of each year).

STCU sent another letter on 13 March to GDIP/MES, noting the Landlord's eviction threat and the other incidents and urgently requesting GDIP/MES to advise STCU of the Ukrainian government actions so that the STCU Governing Parties could gain some confidence that STCU's building situation would not become a crisis. The STCU CAO attended a meeting of MES, GDIP, and the Landlord on 15 March, where MES and GDIP promised that all outstanding issues would be resolved and negotiations on a lease renewal would begin soon (with 1 May offered as a milestone date for reporting to STCU on the progress made).

Since the 22 March AC Meeting, the Landlord has told STCU that he, GDIP and MES have come to an agreement on prolonging the lease contract for the STCU building and that all had agreed on a new rental price. This agreement now was with the Ministry of Finance for an approval decision of the state budgetary committee. This description was confirmed by the GDIP representative via telephone, however no official notification has been forthcoming from the MES so far.