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September 29, 1994

Mr. Alexey I. Isaikin
Chairman of the Board
Volga-Dnepr J.S. Cargo Airline
432062 Ulianovsk
Karbysheva 14, Russia

Re: Future Representation

Dear Mr. Isaikin:

We have very much appreciated the opportunity to represent Volga-Dnepr with respect to obtaining its Foreign Air Carrier Permit, and we are very pleased that Volga-Dnepr has asked us to represent it with respect to various projects as described below. This letter confirms the terms upon which we will provide professional services to Volga-Dnepr in connection with the projects and other matters as to which we agree to provide advice.

We have identified three major areas in which Volga-Dnepr seeks Hogan & Hartson's representation. In each area, we have noted the partner who will have principal responsibility for the matter. Other lawyers in the firm will, of course, be involved as appropriate.

1. Aviation Regulation

We will continue to represent Volga-Dnepr with respect to aviation regulatory matters. In particular we will monitor for Volga-Dnepr all significant pleadings with the Department of Transportation to keep Volga-Dnepr informed of any relevant developments in the aviation industry. The cost of this monitoring service would be \$850 per month.

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In addition, we will act as Volga-Dnepr's aviation counsel in the United States. Our aviation attorneys will assist Volga-Dnepr on an as-needed basis with respect to aviation regulatory matters. Such additional services will be provided only upon the request of authorized personnel of Volga-Dnepr. Such services will be billed at our standard hourly rates plus expenses.

Mr. George Carneal, the head of our aviation practice group, with the assistance of Ms. Irene Howie, will have principal responsibility for this area. Their current hourly rates are \$330 and \$230, respectively.

2. Procurement Project

We will assist Volga-Dnepr with respect to the procurement of AN 124 aircraft by the US military within the framework of the NDAA program, as discussed in our Memorandum dated September 10, 1994. Our work in the first stage, which we would expect to last one to two months, will be limited to the following:

- A. Outlining the basic strategy.**
- B. Assisting Volga-Dnepr in identifying a non-legal procurement expert.**
- C. Assisting Volga-Dnepr in identifying possible teaming partners.**
- D. Conducting, as the opportunity arises, preliminary meetings and contacts with possible teaming partners.**

We understand that Volga-Dnepr will send a senior representative to Washington DC to assume active leadership of this project and to work with us. Once the first stage is completed, we would expect to restrict our activities to a more narrow legal role in the procurement project. Hogan & Hartson is prepared to provide short term office, communication, and secretarial support for the Volga-Dnepr representative, the costs of such support to be reimbursed by Volga-Dnepr.

The cost of our legal services for this first stage would be \$15,000 plus expenses. Any work subsequent to the first stage would be on a basis to be agreed once the first stage is completed.

Mr. Robert Kenney, the head of our government procurement group, will have principal responsibility for this project. His current hourly rate is \$325.

3. Financial and Investment Projects

Upon request we will assist Volga-Dnepr with respect to certain matters regarding financial operations, cash flow management, financing opportunities and investment needs. It should be clearly understood that Hogan & Hartson is a legal firm, and the involvement of additional experts will be warranted at various stages of the projects in this area.

A. We will assist Volga-Dnepr in identifying an expert with an appropriate background in finance and in the aviation industry to advise Volga-Dnepr in developing its short and long term business plans. Hogan & Hartson will cooperate with the expert in his work and will provide necessary informational and administrative support. Messrs. Joseph Bell and James Radner will be involved on the substantive side as appropriate. Their current billing rates are \$300 and \$235 per hour, respectively. The expert would be retained directly by Volga-Dnepr on a basis to be negotiated between Volga-Dnepr and the expert.

B. We will assist Volga-Dnepr in identifying a person to serve as a treasurer for Volga-Dnepr. Until such a person is identified, Mr. Radner, Senior Advisor for Project Development at the firm, will advise Volga-Dnepr's finance department on issues relating to cash flow, meeting your short time financial goals, dealing with outside accounting and audit firms, and providing other support as requested. As you know, Mr. Radner was the Director of Finance and Administration for Amnesty International, and has relevant experience to provide the foregoing assistance until an appropriate third-party is identified. Once such person is identified, Mr. Radner would, of course, remain available for consultation and for assisting Volga-Dnepr in financing particular projects. Mr. Radner's support will be on an as needed basis and only upon the request of authorized personnel of Volga-Dnepr.

We are not investment bankers or financial advisors, and Mr. Radner will not be rendering any investment advice.

C. We will assist Volga-Dnepr in leasing and financing Western aircraft. Mr. Duncan Klinedinst, whose current hourly rate is \$275, will have primary responsibility for this work.

D. We will assist Volga-Dnepr in obtaining and financing Western engines for its aircraft. Mr. Bell will coordinate this activity.

E. We will assist Volga-Dnepr in negotiating possible Export-Import Bank financing of engines and of Western aircraft. Ms. Claudette Christian, whose current hourly rate is \$260, will have primary responsibility for this work.

F. We will advise Volga-Dnepr with respect to its international organizational structure and will assist Volga-Dnepr in establishing subsidiaries and developing its organizational structure in the United States and elsewhere. Mr. Bell will coordinate this activity.

Subject to the special arrangement proposed for Mr. Dubitsky, our services for all of the investment and financial projects will be billed at our standard hourly rates then in effect, plus expenses. Mr. Bell will have overall responsibility for coordinating the financial and investment work.

4. Services of Alexander Dubitsky

We expect that Mr. Dubitsky will be involved in all the foregoing projects because of his expertise, background and experience. We also expect Mr. Dubitsky, subject to the general supervision of Mr. Bell, to continue to be the main interface between our two organizations.

We would propose to have Mr. Dubitsky spend approximately half of his time working with Volga-Dnepr for a flat fee of \$12,000 per month plus expenses. In practice, this is a reduction in his standard rate, but we believe that this approach would facilitate this important representation. This fee arrangement would be on a trial basis, and either party could cancel the arrangement at any time, reverting to the standard hourly fee arrangement. If the actual amount of work for Volga-Dnepr varies significantly from half of his time, up or down, we would need to agree to a mutual adjustment in the fee for Mr. Dubitsky's services.

5. Billing.

The proposed arrangements would start October 1. In the first two months while the first stage of the procurement project is carried out and while Mr. Radner is assisting Volga-Dnepr, we would expect total monthly billings to be approximately \$30-35 thousand. It is possible that total charges will exceed this estimate, but we will make every effort to advise you promptly if it appears that the estimate will be significantly exceeded and we will not proceed in such case without further authorization from Volga-Dnepr. Billings after the initial period would, of course, depend upon what services Volga-Dnepr requires. You should know that the billing rates for attorneys are subject to periodic adjustment.

We will bill for time (including the fixed amount for Mr. Dubitsky and aviation monitoring) plus expenses each month. Bills are due within thirty days of presentation. Mr. Carneal will continue to be the billing attorney for Volga-Dnepr and any questions regarding our representation and fees should be directed to him.

No retainer will be necessary for this additional work, but before undertaking these new activities, we would appreciate the payment of currently outstanding amounts.

6. Other Matters

Hogan & Hartson L.L.P. may now or in the future represent other clients that are or may be involved in transactions or have other contacts with Volga-Dnepr and/or its affiliates. We understand that Volga-Dnepr consents to the firm's continued and future representation of such other clients without the need for any further consents from Volga-Dnepr when the matters the firm is handling for either Volga-Dnepr or such other clients involve commercial matters, legislative or policy issues, administrative proceedings, or litigation and there is no direct conflict of interest.

This will confirm our understanding that Volga-Dnepr is our client for the specific matters on which it engages us, and we shall not be deemed to represent its affiliated corporations unless Volga-Dnepr advises us that such entities are directly involved in or affected by our representation of Volga-Dnepr.

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Mr. Alexey I. Isaikin
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This letter has been prepared in Russian and English. Two originals in each language are enclosed. If these letters accurately reflect our understandings, please sign both the English and Russian versions, and return one copy of each to us.

Again, we value our representation of Volga-Dnepr and we are pleased that you have asked us to handle these new matters. We look forward to working with you in making the transaction a success and continuing our relationship with you and Volga-Dnepr.

Sincerely,



Bob G. Odle
Hogan & Hartson L.L.P.

Alexey I. Isaikin



Chairman of the Board
Volga-Dnepr J.S. Cargo Airlines

cc: Joseph C. Bell
George U. Carneal
Robert J. Kenney, Jr.