The U.S. Russia Investment Fund

USAID Semi-Annual Review

September 9, 2008
Moscow, Russia

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Investment Strategy

The SEED Act of 1989 and the Freedom Support Act of 1992 provided the legislative basis for the existence of The U.S. Russia Investment Fund ("TUSRIF" or "the Fund"). The Acts thus also provided the broad strategic framework for the organization. It was formed pursuant to these statutes to undertake "...the development of... private sectors... through loans, grants, equity investments, feasibility studies, technical assistance, insurance, guaranties and other measures." Using these tools, TUSRIF and enterprise funds in other geographies were to seek to develop private enterprise "bottom up" within the context of formerly centrally-planned economies. For TUSRIF, when and if the Russian economy responded to various strategic initiatives over the years, USAID policy directives mandated that the resulting business activity, in whatever form it shaped up, would be privatized. The policy further mandated that to the extent the private sector efforts were successful, that some or all of the profits generated therefrom would be applied to endow a philanthropic Legacy Foundation to carry on the original mission, independent of the privatized business.

TUSRIF today is four-fifths of the way toward completion of its mission. First, it was formed in 1995 and has operated since. Second, a non-profit company, The U.S. Russia Center for Entrepreneurship, was formed in 2002 to train entrepreneurial managers and to promote a culture of entrepreneurship where none existed. Third, in 2004, a private management company, Delta Private Equity Partners, LLC, was formed a) to end TUSRIF's investment cycle and to begin an orderly liquidation of its investments; and b) to form a semi-private successor fund in which USG retained a 36.9% interest. Fourth, the establishment of the abovereferenced philanthropic Legacy Foundation was accomplished in May 2008. TUSRIF has transferred $55 million to the Legacy Foundation to date. One other objective remains to be met and is well along the path to completion: formation of a wholly-private successor investment fund.

TUSRIF's narrow strategies have varied with market conditions and with the availability, or lack thereof, of USG funding over the 13 years since inception in 1995. For the first five years, including through Russia's financial crisis of 1998 and its aftermath in 1999, TUSRIF focused mainly on small business lending and investing, frequently alongside Western partners as suggested in the early legislation. In the 2000 to 2002 period, it was unclear whether TUSRIF would become predominantly a lending institution or an equity investor given its extreme concentration at that time of capital in lending institutions as well as its then-inability to raise a successor fund. Commencing in 2003, however, as market conditions in Russia changed, TUSRIF management shaped the fund definitively as an investment firm investing at the equity level and proceeded to divest the lending institutions to high quality buyers.

In every phase of its evolution in Russia, TUSRIF has employed the full range of tools provided to it statutorily, and by successive organizational charters and contracts, to assist companies. Technical assistance, feasibility studies and training were the main tools used to reduce "learning on the job" in portfolio companies and to permit them to achieve financial transparency and international operating standards, among other purposes.

Investment Strategy

Finally also, TUSRIF was obligated as a condition of its USG grant to place $40 million in some form of financing in companies located in the Russian Far East, which condition was met.

In recent years, TUSRIF's strategy has been to finance and develop a diversified portfolio of high growth companies, the aggregate value of which, on resale, will produce a risk adjusted return on invested capital. Because the risks are high, the aggregate returns on capital have to be higher than those available from more conservative investments. Since not all companies succeed, those that do so must yield sufficient returns to offset portfolio losses while also yielding an aggregate higher-than-average return.

The Fund has focused strategically on backing companies that serve Russia's emerging consumer markets, companies in which small amounts of capital can be deployed to secure rapid expansion of capital values, creating, in the process, expanded employment opportunity as well as new products and services. Financial services, media, and consumer products and services have accounted for the bulk of the Fund's use of capital. The Fund makes no investments in capital-intensive companies in natural resources, infrastructure, privatizations, or real estate, or in companies deemed strategic by the Government of the Russian Federation.

The Fund seeks out qualified, growth-oriented entrepreneurial managers who embrace transparency and acceptable norms of corporate governance. To expand that base of human talent while broadening its own deal flow, in 2002 the Fund launched an independent non-profit organization, The U.S. Russia Center for Entrepreneurship, to provide training and to enrich Russia's emerging entrepreneurial culture. The Center has received an enthusiastic response in the market.

Finally, the Fund seeks to expand and rationalize Russia's private equity market through (1) co-investment with domestic and foreign capital sources; (2) introduction of pertinent financial instruments (e.g. incentive compensation programs, preferred securities, equity valuation techniques, shareholder protection methods); and (3) active participation in development of portfolio companies, both by taking seats on their Boards of Directors and by deploying technical assistance grants to experts who can assist the companies in achieving internationally competitive standards of operations.

Effective June 2004, TUSRIF ended its investment cycle after nine years. The Fund is in full liquidation, a process expected to be completed during 2008 except for its holdings in the semi-private successor fund, Delta Russia Fund, L.P., ("DRF") and debt maturing in 2010 that it holds in Europlan, a leasing company founded in 1999 by TUSRIF. DRF began its investment cycle when TUSRIF ended its own cycle in June 2004. Both funds now are managed by Delta Private Equity Partners, LLC ("DPEP"), the private management company established for that purpose, as well as to manage other such private successor funds as may be raised in the future.

Investment Strategy

DPEP is planning a second, fully-private fund, DRF II. Capital raising commenced in Q2 2008, to raise $500 to $600 million. With the formation of that fund, TUSRIF will have attained one of its major and final strategic goals of embedding the practice of private equity investing into Russia's financial landscape. The continuing private market developmental function contemplated in the SEED Act of 1989 hopefully will be carried out by the aforementioned Legacy Foundation, funded by proceeds from sale of TUSRIF's investments which, to date through June 30, 2008, have yielded gross proceeds from sales of equity investments of $343.2 million or, if paydown of debt plus interest and fees are included, of $419.8 million, against total USG funding over the life of TUSRIF of $328.9 million.

Because USG funding was reduced to the minimum required to keep the doors open commencing in 1996, a substantial portion of the proceeds from sales of investments and of debt repayment were used in the intervening years to fund operations, thereby replacing the $111.1 million of the USG grant commitment of $440.0 million that, due to policy changes, was never appropriated and granted. For that reason, the net amount available as of June 30, 2008, to endow the Legacy Foundation and to meet TUSRIF's capital call commitments and operating needs, is $254.4 million instead of the total proceeds, which exceed the USG grant substantially. Felicitously, though, reflows to TUSRIF have been such that a total of $814.0 million has been applied programmatically in the Russian economy from inception through June 30, 2008, versus $328.9 million made available from USG.

The quantitative details on sources and uses of funds are shown in the schedule entitled "U.S. Government Grant Funds At-A-Glance" contained in Tab B of this report.

Activities and Significant Developments

Portfolio

Overview

TUSRIF's investment cycle ended in June 2004, and full liquidation of its investments began. The liquidation process proceeded faster than expected at the time. And we were able to secure higher values on resale of positions than anyone could have hoped for.

During 2007, three portfolio investments, including USP Compulink, INTH and EGAR Technologies were sold, as previously reported. In 2008, a fourth portfolio investment, Agribusiness Partners International, L.P. II ("API"), an investment fund established in 1995, distributed proceeds from the sale of its remaining investments. API is in the process of winding up its operations. TUSRIF received a total distribution of $8.66 million on its $5 million investment. This leaves three investments remaining in the TUSRIF portfolio, plus one company written off in 1999 and 2003 (FunTech) wherein a recovery effort is underway, and one loan that comes due on September 1, 2010, described herein.

Full write-ups on each investment are contained in Tab C of this report under "Portfolio Company Profiles." A brief summary of the status of each is presented below:

DeltaLeasing ("DL"): Following a strong Q1'08, DL experienced a slowdown in Q2. It disbursed $46.4M versus a target of $55.1M, or 84% of goal. For the six months, revenues and net income were $18.6M and $2.4M, or 95% and 178% of budget, respectively. Outstanding principal was $197.0M, reflecting 30% growth for six months. The Q2 slowdown resulted mainly from price increases implemented at the direction of the TUSRIF BOD between late March and mid-June. With the removal of these operational restrictions in mid-June, operations stabilized. Disbursals at July-end totaled at $105.6M, and the pipeline reached $55.6M, a return to its March level. The company is regaining momentum and remains cautiously optimistic that it will achieve its $225.0M annual disbursal target. Debt markets remain challenging. ICICI's $30.0M facility was fully drawn at the end of July and, in early August, DL achieved initial disbursal on a syndicated loan with Standard Bank. UniCredit Bank raised DL's limit by $6.4M and discussions continue with RZB, KfW, EBRD and others. On selling DL, Morgan Stanley was selected to conduct an auction of the property, a process that is well underway, to be completed by year-end.

Activities and Significant Developments

Delta Russia Fund, L.P. ("DRF"): For the quarter ended June 30, 2008, the aggregate value of DRF, including DRII, its parallel fund, decreased by $0.5M, or (0.2%), from $207.4M to $206.9M, after adjusting for distributions of $159.5M. From inception to June 30, 2008, DRF's value based on contributed capital increased $87.9M, or 92.8%, from $94.7M to $182.6M, including distributions of $159.5M. DRF's net interim internal rate of return as of June 30, 2008 is 211.0%. The investment in Noviy Disk ("ND"), a high growth computer game company, closed in June after months of internal clean-up required to put the company on the path to transparency. DRF invested $12.0M in exchange for 12.2% of the fully-diluted outstanding equity at a valuation of 0.8 times FY07 revenues and 3.2 times EBITDA for the year ended December 31, 2007. In June, TUSRIF received a distribution of $4.4M representing its share of proceeds from sale of DRF's interest in Tokido Holdings Limited, reflecting, in turn, a realized gain to TUSRIF of $2.0M. Cumulatively, since DRF commenced investing in June 2004, TUSRIF has received distributions of $56.9M, made capital contributions of $35.7M and realized gains of $32.9M. Deal flow is strong, including a leading credit card manufacturing company, a credit card processor, a Russian media distribution company, and a chain of automated car washes, among others. Fund-raising for DRF II got underway officially in May following a few delays, mainly in the ND closing. Given the current disarray in equity and debt markets world-wide and events in Russia, we expect the process to take longer than originally contemplated.

Vesch!: Vesch's net sales for 2Q08 were $21.0M, a 42.0% increase over last year but 33.0% below budget. Same store sales increased by 13.9%. EBITDA was $0.4M versus $1.28M last year and a budgeted $2.5M. Underperformance to budget resulted from: (i) a slowdown of growth in the apparel market generally; (ii) increased competition; (iii) overly optimistic sales-budgeting of existing and new stores; and (iv) delays in new store openings. In 2H'08, the company plans to open 18 new stores, bringing the total for 2008 to 30 new stores versus 49 initially planned. The decision to effect a mid-year course correction and to slow the development pace was approved by the company's BOD. The company's re-forecast estimates $96.2M in net sales and EBITDA of $6.3M.

Small Holdings and Recoveries

Europlan: Europlan (formerly DeltaLeasing) was sold to Barings Vostok in November 2003 for $16.4 million, but the Fund retained on its books an outstanding loan of $2.4 million, the principal amount of which is due to the Fund with accrued and unpaid interest on September 1, 2010. Interest is accrued at the rate of 4.67% per annum, due and payable semi-annually and is current.

Activities and Significant Developments

FunTech: In 1996, the Fund invested $1.0 million in FunTech, a company in the copier business with Xerox, in exchange for 26.0% of the outstanding equity plus a four-year, $1.0 million loan. Following the 1998 crisis, the company could not meet its obligations. In 1999, the Fund wrote its equity investment down to zero, and the debt was written off in 2003. In 4Q04, the Fund recovered the debt portion of the investment, which was repaid (minus accrued interest) in October 2006. In Fall 2006, Chief Executive Officer Pat Cloherty and Managing Director Roman Simonov took over the recovery efforts related to the equity portion of the investment. On review of relevant documents, it appeared that serious breaches of contract occurred such that TUSRIF ended up owning 26.0% of a small, $4.0 million revenue copy service business while the two other signatories to the 1996 Stock Purchase Agreement, Xerox and the manager/owners, created a separate product-based business that operates profitably today at some $140.0 million or more in volume, making it one of the largest copier vendors in Russia. This and other aspects of the parties' actions appear to contravene the non-compete provisions of the SPA, and possibly also to violate other general rules and regulations governing doing business in Russia. We are seeking redress and have held discussions with both parties. To buttress our position, we have retained counsel to review the facts. And we have gotten the company to agree to be sold, represented by Deutsche Bank. TUSRIF's recovery, estimated at a minimum of $10.0 million, will come from proceeds of that sale if it succeeds.

Agribusiness Partners International L.P. II: Agribusiness Partners International L.P. II ("API II") was formed in December 1995 as a parallel fund of Agribusiness Partners International L.P. ("API") to seek capital appreciation and income by investing in agricultural, food processing and related businesses in the CIS region. API was an OPIC guaranteed fund, while API II was not. The Fund invested $5.0M to purchase five units in API II, each unit consisting of $250k in partnership interests, and a $750k promissory note. Both partnerships, which together had capital of $100.0M, were managed by an affiliate of Omaha-based America First Companies. The funds' two most significant portfolio investments, Chicken Kingdom (formerly Golden Rooster) and Rasko, were sold in 2007 for total distributions to TUSRIF of $7.7M. The release of cash from the Polygraph sale was made in January 2008, with a cash distribution to TUSRIF of $140k received in May 2008. In June 2008 TUSRIF received a cash distribution of $160k from the sale of the funds' remaining investment, Global Ice Cream. The funds' manager is completing the liquidation of the funds. Any remaining cash after payment of expenses will be distributed to investors. There will be no further coverage of the company.

Activities and Significant Developments

Restructuring to Complete USG Mission and to Privatize

Delta Private Equity Partners, LLC ("DPEP"): DPEP was formed in 2004 to manage TUSRIF's investment portfolio through liquidation and to raise, then to manage, the semi-private successor fund, Delta Russia Fund, L.P. ("DRF"). DPEP now is raising a fully-private DRF II. DRF has been a small, semi-private transitional fund that was raised rapidly in late 2003 and 2004, when TUSRIF had no returns and no track record, and when its investment staff was being trimmed from 17 people to 7. DRF's subsequent superior performance with a net internal rate of return of 211.0% through June 30, 2008 will hold it in good stead in raising a second, fully-private fund. The smallness of the team, though, a result of the multi-year constraints on DPEP's hiring, will not hold it in good stead and is critical. DRF II is targeted at $500.0 to $600.0 million in capital commitments, mainly from institutions. Fund-raising commenced in May 2008.

Activities and Significant Developments

Economics

Robust Growth

Gross domestic product ("GDP") grew by 8.0% year-on-year versus 7.8% in 1H2007[1]. Robust consumption remains a dominant factor in this growth, supported by rapid growth in real income and by credit expansion. The government expects foreign direct investment ("FDI") to reach $60bln in 2008 versus $45bln in 2007 and $30bln in 2006[2]. Foreign exchange reserves have risen from $474bln at the end of 2007 to $550+bln in June 2008.

Inflation has become a central issue in Russia's economic expansion. In 2007, inflation was 11.9% versus the 8.0% planned. Cumulative inflation for the first six months of 2008 alone was 8.7% (15.2% year-on-year)[3]. The government recently increased its inflation forecast for 2008 from 8.5% to 10.5%. On the whole, the inflation outlook should improve in 2H2008 with the adoption of more decisive moderating policies. Inflation is expected to decrease in 3Q and gradually decline to 12.0-13.0% by year-end, though, at present, the risks are mainly on the upside: high energy prices, food price inflation and strong fiscal stimuli, with proposed increases in government spending on infrastructure, health and education. With government revenues continuing to be fattened by high oil prices, the spending surge may be protracted, meaning that the disinflationary process is apt to be slow.

In July 2008, Moody's raised the long-term credit rating of Russia from Baa2 to Baa1. Currently, all major agencies maintain investment grade ratings for Russia: Fitch, BBB+; S&P, BBB+; Moody's, Baa1.

Is The Consumer Boom Over?

In 1H2008, year-on-year retail sales growth showed signs of slowing down: 16.5% growth in 1Q versus 13.6% in June. Although nominal wages and real wages are increasing by nearly 30.0% and 12.0%, respectively, productivity grew by only 8.0%[4].

The domestic consumer boom of the past two to three years may be coming to an end, at least in its current form. To date, this boom has been driven by high growth in real incomes attributable to the rapid expansion of State social spending. However, labor productivity gains lagged significantly. During 2003-2006, real incomes increased annually by 11.2% on average while labor productivity rose by only 6.3%[5].

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[1] Oxford Economics, July 2008
[2] Ministry for Economic Development, RIA News, 7 June 2008
[3] Rosstat
[4] Oxford Economics, *Op. Cit.*
[5] Uralsib, Russia in a global context, July 2008

Activities and Significant Developments

Russia's leaders have repeatedly stressed publicly the need to achieve substantial productivity gains. The first practical step toward this goal is to slow down real income growth, a move that would have negative implications for the consumer.

Liquidity May Tighten Further

Analysts generally believe that domestic liquidity could tighten in the Autumn as a result of increased private debt repayments, higher export duties on energy products and more stringent State monetary policies. In 2H08, Russian banks and corporations are due to repay gross debt totaling $69.7bln, slightly less than the $71.9bln repaid in 1H07. Attempts to refinance even part of these repayments may be complicated by many interrelated factors, such as a fresh wave of global credit woes, continuing rises in interest rates, and slower release of State funds into the economy.

Equity Capital Market

IPO and SPO activity through 1H08 was limited, with only $2bln raised in the generally negative conditions of the financial markets worldwide. Analysts estimate that only between $10bln and $20bln may be raised for the full year, or, at best, two-thirds of that raised in 2007. As issuers are generally unwilling to sell at current valuations, the actual result may be closer to $10bln, unless conditions improve dramatically in 4Q08[6]. The RTS Index dropped below 1,700 on August 11, 2008, wiping out gains year-to-date, followed by a modest recovery. Several political events contributed to the dramatic market declines. Prime Minister Putin's attack in July on publicly-traded steel and metals producer, Mechel (NYSE), resulted in an immediate $6.0bln decline in that company's market capitalization. The much-publicized and continuing feud at TNK-BP between BP and its Russian 50% joint venture partners has raised further questions about Russian use of state instrumentalities to harass private businesses. And finally, a war in South Ossetia led to another full-scale sell off in the Russian stock market. Even so, analysts generally remain confident that the market's fundamentals are sound, owing to a strong rouble, high crude oil prices and a national balance sheet that is in excellent shape despite the market downturn.

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[6] *Ibid.*

U.S. Government Grant Funds At-A-Glance

As of June 30, 2008

(in millions)

Funds in:			
Source			
U.S. Government		$ 328.9	
Investment Reflows			
Sales Proceeds	$ 343.2		
Loan Repayments	69.4		
Interest, Dividends and Fees	7.2		
		419.8	
Small Business Loans		56.4	
Interest earned on cash and cash equivalents		7.3	
Received from DRF		14.7	
Total Funds In			$ 827.1
Funds Out:			
Use			
Investments		$ 344.3	
Short-term liability payment (Nevsky 49)		3.5	
Small Business Program		55.3	
Technical Assistance		26.8	
Foundation		55.0	
Surplus funds investments		159.8	
Operating Expenses		114.6	
Employee Equity Incentive Payout		28.0	
Management Fees		26.7	
Total Funds Out			814.0
Cash for Operations			$ 13.1

U.S. Government Grant Funds At-A-Glance

Overall Net Gain on USG Investment Portfolio

Inception through June 30, 2008

(in millions)

Full Write-Offs (15 investments)	$	(48.43)
Net Unrealized Gain on Portfolio		17.02
Interest, Dividends and Fees		7.19
Net Realized Gain on Sales		172.24
Net Gain on Investment Portfolio	$	148.02
Increase in Value of Funds Invested		43.0%

Investment Reflows

As of June 30, 2008
(in millions)

Industry/Company	Year Invested	Year Sold or Written Off	Sales Proceeds	Cost Basis	Realized Gain (Loss) on Sale	Loan Principal Repayments	Interest, Dividends and Fees
Active Portfolio:							
Financial Services							
Delta Russia Fund	2004	N/A	56.94[7]	22.03	32.87	-	0.22
DeltaLeasing	2002	N/A	-	-	-	12.50	0.65
			56.94	22.03	32.87	12.50	0.87
Consumer Products							
Vesch! (to DRF 80/20 basis)	2004	N/A	2.00	2.00	-	-	-
Total Active Portfolio			58.94	24.03	32.87	12.50	0.87

[7] Distributions to the Fund from DRF (DeltaBank, NCN, DeltaCredit Bank, SPAR Moscow, USP Compulink sale/dividend and Tokido).

Investment Reflows

As of June 30, 2008
(in millions)

Industry/Company	Year Invested	Year Sold or Written Off	Sales Proceeds	Cost Basis	Realized Gain (Loss) on Sale	Loan Principal Repayments	Interest, Dividends and Fees
Sales and Write Offs							
Sales:							
Grant	1995	1996	0.71	0.60	0.11	-	-
Plyko	1995	1999	2.92	5.00	(2.08)	0.83	0.15
Bitech	1997	2001	1.95	3.00	(1.05)	-	-
MRCI	1996	2001	1.84	1.25	0.59	7.00	1.94
Nizhny Newsprint	1995	2001	15.82	-[8]	15.82	-	-
Saint Springs	1995	2002	6.76	3.50	3.26	-	0.22
Segol RadioPage	1998	2002	-[9]	3.30	(3.30)	-	-
TsUM	1996	2002	0.62	0.50	0.12	-	-
Europlan (includes auto div.)	1999	2003	16.40	11.18	5.22	7.64	1.89
Lomonosov	1998	2003	5.72	4.30	1.42	0.30	0.02
Time	1994	2003	0.09	0.05	0.04	0.16	0.03
Port.ru	2000	2004	0.09	1.00	(0.91)	-	-
RILS	2002	2004	-	7.08	(7.08)	-	-
SPAR Middle Volga	2002	2004	11.23	6.00	5.23	-	-
SPAR Moscow (85%)	2000	2004	5.50	6.63	(1.13)	-	-
Sun-Interbrew	1995	2004	14.11	10.50	3.61	5.00	0.66
DeltaBank (sale to GE)	2000	2004	20.22	10.50	9.73	8.07	0.14
FunTech	1996	2004	-	-	(0.18)	0.82	0.06
DeltaBank (sale to DRF)	2000	2004	-	-	(8.26)[10]	-	-
DeltaCredit Bank (sale to DRF)	2000	2004	-	-	(2.36)[10]	18.00	0.06

[8] Zero cost basis at time of sale as company was previously 100% written-off.
[9] Sold 11/01 for $326k which was to be repaid in installments-zero repaid.
[10] Represents realization of loss as of 09/30/04 on EF's in-kind contribution to DRF.

Investment Reflows

As of June 30, 2008
(in millions)

Industry/Company	Year Invested	Year Sold or Written Off	Sales Proceeds	Cost Basis	Realized Gain (Loss) on Sale	Loan Principal Repayments	Interest, Dividends and Fees
Sales and Write Offs							
Sales: *(cont'd)*							
CTC Media	1996	2005	26.83	7.50	19.34	-	-
Polygraph	1997	2005	4.00[11]	2.80	1.20	-	0.22
NCN	2004	2005	3.13	1.13	2.00	-	-
DeltaCredit Bank (sale to SG)	2000	2005	21.51	9.62	11.89	-	-
DeltaCredit Bank (debt)	2000	2005	-	9.20	(3.94)	5.26	-
Interstom	1998	2005	0.08	0.08	-	-	0.01
Nevsky 49	1999	2005	24.71	16.25	8.46	1.47	0.20
SPAR Moscow (remainder)	2000	2006	4.91	1.29	3.63	-	-
USP Compulink (sale to DRF 80/20)	2003	2004	2.40	2.40	-	-	-
USP Compulink (partial sale)	2003	2006	6.38	1.36	5.02	-	-
USP Compulink (dividend)	2003		-	-	-	-	0.49
USP Compulink (final sale)	2003	2007	15.29	3.24	12.04	-	-
INTH	1995	2007	62.16	4.38	57.78	2.00	0.01
EGAR	2002	2007	0.25	0.75	(0.50)	-	-
Agribusiness	1995	2008	8.66	5.00	3.66	-	-
			284.29	139.39	139.37	56.53	6.11
Write Offs (substantial to full):							
USGH	1994	1997	-	-	-	-	-
Zapsibinvest	1994	1997	-	-	-	0.08	-
Dieselprom	1995	1997	-	-	-	0.07	-
Giant	1995	1997	-	-	-	0.08	-
RPI	1996	2000	-	-	-	0.10	0.01

[11] In May 2006, the Fund received the final payment plus accrued interest. The deferred consideration was therefore reversed and the sale recorded as of quarter end 6/30/06.

Investment Reflows

As of June 30, 2008
(in millions)

Industry/Company	Year Invested	Year Sold or Written Off	Sales Proceeds	Cost Basis	Realized Gain (Loss) on Sale	Loan Principal Repayments	Interest, Dividends and Fees
Sales and Write Offs							
Write Offs: *(cont'd)*							
GVCO	1997	2003	-	-	-	0.06	0.14
IBCS	1997	1998	-	-	-	-	-
Frank's Siberian	1997	2000	-	-	-	-	-
Invacorp	1997	2002	-	-	-	-	-
Phargo	1997	2004	-	-	-	-	0.05
Vita Plus	1998	2002	-	-	-	-	-
Cybiko	2000	2003	-	-	-	-	-
Pentacom	2000	2005	-	-	-	-	-
PaperSpace	2001	2003	-	-	-	-	-
			-	-	-	0.39	0.20
Total Sales and Write Offs			284.29	139.39	139.37	56.92	6.32
Fund Portfolio Totals			343.23	163.42	172.24	69.42	7.19

Investment Reflows

As of June 30, 2008
(in millions)

Summary of Exits	Number of Exits	Sales Proceeds	Cost Basis	Realized Gain (Loss) on Sale	Loan Principal Repayments	Interest, Dividends and Fees
Pre-2000	2	$3.63	$5.60	$(1.97)	$0.83	$0.15
2001	3	19.61	4.25	15.36	7.00	1.94
2002	3	7.38	7.30	0.08	-	0.23
2003	3	22.21	15.53	6.68	8.09	1.94
2004	7	51.15	41.71	9.27	13.89	0.86
2005	6	80.27	37.38	42.89	1.47	0.43
2006	0[12]	11.30	2.65	8.65	-	-
2007	3	77.69	8.37	69.32	2.00	0.50
2008	1	8.16	5.00	3.36	-	-
Subtotal	28	$281.89	$127.79	$153.92	$33.27	$6.05
Companies funded by EF, sold to DRF:						
- USP Compulink		2.40	2.40	-		
- Vesch!		2.00	2.00	-		
- DeltaBank		-	-	(8.26)	-	-
- DeltaCredit Bank		-	-	(2.36)	18.00	0.06
Adjustments:						
- DeltaCredit Bank (debt-part of 2005 sale)		-	9.20	(3.94)	5.26	-
- DeltaLeasing loan repayments (debt converted to equity)		-	-	-	12.50	0.65
- Write-offs loan repayments		-	-	-	0.39	0.20
Reflows from DRF		56.94	22.03	32.87[13]	-	0.22
Total		$343.23	$163.42	$172.24	$69.42	$7.19

Recap:	
Total number of investments made	45
Investments written-off[14]	14
Investments exited	28
Remaining portfolio companies	3

[12] Number count excludes SPAR Moscow (majority of investment sold in 2004) and USP Compulink (only partially sold in 2006).
[13] Sales proceeds less cost equals $34.9m; realized gain only $32.9m due to $2.0 of net excess distributions to EF as LP of DRF (timing difference-LPs receive all contributed capital plus hurdle return prior to GP carry).
[14] Excludes Nizhny Newsprint as it is included in investments exited.

Investment Portfolio Composition

As of June 30, 2008
(in millions)

Industry/Company	Year Invested	Year Sold or Written Off	Total Funded	Cost	Carrying Value	Unrealized Gain (Loss)
Active Portfolio						
Equity						
Financial Services						
1. DeltaLeasing	2002	N/A	31.09	31.08	53.57[1]	22.49
2. Delta Russia Fund, L.P.	2004	N/A	50.42	11.66	7.19	(4.47)[2]
			81.51	42.74	60.76	18.02
Consumer Products						
3. Vesch!	2004	N/A	2.70	0.70	0.70	-
Total Equity			84.21	43.44	61.46	18.02
Debt						
Financial Services						
4. DeltaLeasing	2000	N/A	12.50	-	-	-
5. Europlan (includes auto div.)	1999	N/A	2.40	2.40	2.40[3]	-
Total Debt			14.90	2.40	2.40	-
Total Active Portfolio			99.11	45.83	63.86	18.02

[1] Carrying value based on independent valuation report.
[2] Unrealized loss represents pro-rata share of DRF's recorded cumulative net investment loss and net unrealized loss on investments through June 30, 2008.
[3] Loans repayable on September 1, 2010 with semi-annual interest payments.

Investment Portfolio Composition

As of June 30, 2008
(in millions)

Industry/Company	Year Invested	Year Sold or Written Off	Total Funded	Cost	Carrying Value	Unrealized Gain (Loss)
Sales and Write Offs						
Sales:						
Grant	1995	1996	0.60	-	-	-
Plyko	1995	1999	5.83	-	-	-
Bitech	1997	2001	3.00	-	-	-
MRCI	1996	2001	8.25	-	-	-
Nizhny Newsprint	1995	2001	4.14	-	-	-
Segol RadioPage	1998	2001	3.30	-	-	-
Saint Springs	1995	2002	3.50	-	-	-
TsUM	1996	2002	0.50	-	-	-
DeltaLeasing (includes auto division)	1999	2003	18.81	-	-	-
Lomonosov	1998	2003	4.59	-	-	-
Time	1994	2003	0.20	-	-	-
Port.ru	2000	2004	1.00	-	-	-
RILS	2002	2004	7.08	-	-	-
SPAR Middle Volga	2002	2004	6.00	-	-	-
SPAR Moscow (85%)	2000	2004	6.63	-	-	-
Sun-Interbrew	1995	2004	15.50	-	-	-

Investment Portfolio Composition

As of June 30, 2008
(in millions)

Industry/Company	Year Invested	Year Sold or Written Off	Total Funded	Cost	Carrying Value	Unrealized Gain (Loss)
Sales (cont'd)						
DeltaBank (equity)	2000	2004	19.64	-	-	-
DeltaBank (debt)	2000	2004	7.18	-	-	-
FunTech	1996	2004	2.00	1.00	-	(1.00)
CTC Media	1996	2005	7.50	-	-	-
Polygraf	1997	2005	2.80	-	-	-
NCN	2004	2005	1.13	-	-	-
Nevsky 49	1999	2005	11.62	-	-	-
Interstom	1998	2005	0.08	-	-	-
DeltaCredit Bank (equity)	2000	2005	11.99	-	-	-
DeltaCredit Bank (debt)	2000	2005	27.20	-	-	-
SPAR Moscow (remainder sold)	2000	2006	1.29	-	-	-
INTH (equity)	1995	2007	4.38	-	-	-
INTH (debt)	2003	2007	2.00	-	-	-
EGAR	2002	2007	0.75	-	-	-
USP Compulink	2003	2007	7.00	-	-	-
Agribusiness	1995	2008	5.00	-	-	-
Total Sales			200.47	1.00	-	(1.00)

Investment Portfolio Composition

As of June 30, 2008
(in millions)

Industry/Company	Year Invested	Year Sold or Written Off	Total Funded	Cost	Carrying Value	Unrealized Gain (Loss)
Write Offs (substantial to full):						
USGH	1994	1997	3.77	-	-	-
Zapsibinvest	1994	1997	0.97	-	-	-
Dieselprom	1995	1997	3.66	-	-	-
Giant	1995	1997	2.98	-	-	-
RPI	1996	2000	1.95	-	-	-
GVCO	1997	2003	0.90	-	-	-
IBCS	1997	1998	5.00	-	-	-
Frank's Siberian	1997	2000	0.21	-	-	-
Invacorp	1997	2002	10.00	-	-	-
Phargo	1997	2004	2.80	-	-	-
Vita Plus	1998	2002	5.00	-	-	-
Cybiko	2000	2003	1.56	-	-	-
Pentacom	2000	2005	5.87	-	-	-
PaperSpace	2001	2003	0.03	-	-	-
Total Write Offs			44.69	-	-	-
Total Sales and Write Offs			245.17	1.00	-	(1.00)
Fund Portfolio Totals			344.28	46.83	63.86	17.02

Cash Available

As of June 30, 2008

(in millions)

Cash Available as of June 30, 2008	$	13.1[1]
Cash Investments (DE 2600 account segregated for USG), at market		182.2[2,3]
Cash Investments (DE 2601 operating account), at market		4.1[2]
Total Cash and Cash Investments	$	199.4
Cumulative Cash transferred to Foundation from TUSRIF		55.0
Net Cash Available (Foundation, DRF Capital Calls, Fund Operating Needs)	$	254.4

[1] Includes $11.0 million restricted for future DRF capital calls.

[2] The Fund's Cash Committee approved investing surplus funds at State Street Bank managed by Capital Advisors Group. As per precedent set by other enterprise funds, once excess funds are invested in securities with maturities greater than 90 days, the funds are no longer considered cash but instead are deemed investments. Governed by a Cash Investment Policy, all investments are held in U.S. dollars. Specific investments include treasury securities, federal agency securities, corporate notes/bonds, commercial paper, municipal securities, money market mutual funds, and certificates of deposit all of high credit quality.

[3] Subsequent to quarter end, upon settlements of securities, account reduced to approximately $164.4 million to be held separately as per USG requirement.

DeltaLeasing (formerly DeltaLease Far East)
Contact: Patricia M. Cloherty (D)
Roman Simonov (D)

Business: Financial Services
Location: Vladivostok
Current Stage: Expansion
Date Invested: June 2000, May/September 2002, January 2004, March 2005, June 2007, April 2008
Status Rating: A
Other Major Investors: None
Total Investment Dollars Raised to Date: $31.08M
Fund's Valuation of the Company: $59.78M[1]
Financial Data (000's):

Financial Data (000's):	Three Months		Six Months		FY07 (audited)
Fiscal Year Ends December 31	6/30/08	6/30/07	6/30/08	6/30/07	12/31/07
Revenue	$10,196	$ 4,958	$18,554	$ 8,779	$22,228
EBITDA	5,873	2,503	10,378	4,314	11,649
Net Income	1,438	595	2,445	998	3,164
Net Worth	$38,990	$18,816	$38,990	$18,816	$21,278
Avg. # of employees	239	137	239	137	157

Business Description: DeltaLeasing ("DL" or "the company") provides lease finance mainly to small and medium-sized enterprises across Russia. It evolved from the Enterprise Fund's Small Business Loan Program and from its required mission to develop businesses in the Russian Far East. DL began operations in May 2000. Headquarters are in Vladivostok, with 14 additional branches across Siberia, the Urals, Moscow, and St. Petersburg.

Recent Developments: Following a strong Q1'08, DL experienced a slowdown in Q2. It disbursed $46.4M versus a target of $55.1M, or 84% of goal. For the six months, revenues and net income were $18.6M and $2.4M, or 95% and 178% of budget, respectively. Outstanding principal was $197.0M, reflecting 30% growth for six months. The Q2 slowdown resulted mainly from price increases implemented at the direction of the TUSRIF BOD between late March and mid-June. With the removal of these operational restrictions in mid-June, operations stabilized. Disbursals at July-end totaled at $105.6M, and the pipeline reached $55.6M, a return to its March level. The company is regaining momentum and remains cautiously optimistic that it will achieve its $225.0M annual disbursal target. Principal at risk stood at 2.8% at June-end, down from 3.0% at the March-end, with a further reduction to 1.99% mid-July. Debt markets remain challenging, but loan agreements sufficient to fund '08 business are in process. ICICI's $30.0M facility was fully drawn at the end of July and, in early August, DL achieved initial disbursal on a syndicated loan with Standard Bank. UniCredit Bank raised DL's limit by $6.4M, with possibly more to come. Discussions with Gazprombank for a ruble-denominated facility of approximately $32.0M are problematic due to the bank's own non-transparency. Discussions continue with RZB, KfW, EBRD and others. On selling DL, Morgan Stanley was selected to conduct an auction, and the process is well underway. DL received positive results of a comprehensive tax audit for fiscal years 2005 through 2007, resulting in a modest upward adjustment in DL's tax liability of RU2,121,578 (approximately $91K), most related to VAT and property tax. Following issuance, DL received VAT refunds totaling RU41M ($1.7M), a very positive development.

Purchase Dates	**Type of Security**	**No. of Shares**	**Common Equivalent**	**Cost**	**Last Quarter's Valuation**	**Current Quarter's Valuation**
Jun-2000	Common stock	1,001	1,001	$0		
May-Sep 2002	Common stock	365,510	365,510	$1,160,312		
Jun-00- Aug-04	Loan			$11,797,589		
Jan-2004	Common stock	50,000	50,000	$5,020,863		
Mar-2005	Common stock	48,762	48,762	$6,099,370		
Oct-00-Mar-05	Principal Repayment			$(11,797,589)		
Jul-06-Apr-07	Credit Line			$4,500,000		
Jun-2007	Debt-to-Equity Conv.	143,971	143,971	$0		
Jul-2007	Principal Repayment			$(700,000)		
Mar-2008	Loan			$15,000,000		
Apr-2008	Debt-to-Equity Conv.	236,930	236,930	$0		
Current Holdings:	Common Stock		846,174	$31,080,545	$38,571,061	$53,571,061
	Loan			$0	$15,000,000	$0

Valuation Method: Discounted cash flow based on market average forecasts of annual growth rates from a Deloitte & Touche independent appraisal as reviewed by PwC (9/30/07 audit) and approved by the Audit Committee of the Fund.

[1] Fully-diluted after giving effect to exercise of the employee stock option plan.

Total of The Fund's Potential Ownership: 89.61%[1]

Delta Russia Fund, L.P.
Contact: Patricia M. Cloherty (GP)
Roman Simonov (GP)

Business: Private Equity Fund
Location: Delaware
Current Stage: Active Investment Stage
Date Invested: June 2004
Status Rating: A
Other Major Investors: GE Pension Trust, UFG Investors L.P., George F. Russell, Jr., Talisman Special Purpose Fund
Total Investment Dollars Raised to Date: $119.03M
Fund's Valuation of the Company: $182.6M[1]
Financial Data (000's):

Fiscal Year Ends December 31[2]	Inception to 6/30/08	Inception to 3/31/08	Inception to 12/31/07	Inception to 9/30/07
Committed Capital	$119,029	$119,029	$119,029	$119,029
Realized Gains (Losses)	103,316	96,101	96,101	96,101
Unrealized Gains (Losses)	(4,725)	2,275	(4,725)	(4,592)
Income from Investments	272	272	272	265
Other Income (Loss)	(10,948)	(10,284)	(9,613)	(8,965)
Gross Partnership Value	206,944	207,393	201,064	201,838
Less: Due from Partners	(24,306)	(35,121)	(35,121)	(41,062)
Net Partnership Value	182,638	172,272	$165,943	$160,776

Business Description: Delta Russia Fund, L.P. ("DRF") and Delta Russia Individual Investors, L.P. ("DRII"), its parallel fund, are the successor semi-private funds (the "Funds") to The U.S. Russia Investment Fund. All funds are managed by Delta Private Equity Partners, LLC, which seeks to provide investors with superior returns on capital by investing in a diversified portfolio of Russian high-growth companies. DRF closed in June 2004 ("inception") with a second and final closing in May 2005. The Funds are in their active investment phase.

Recent Developments: For the quarter ended June 30, 2008, the Funds' aggregate partnership value decreased by $0.5M, or (0.2%), from $207.4M to $206.9M, after adjusting for distributions of $159.5M. The net decrease consists of an additional $0.2M gain on the sale of Tokido Holdings Limited (unrealized gain of $7.0M versus realized gain of $7.2M) net of a $0.7 investment loss (mainly of management fees). From inception to June 30, 2008, DRF's value based on contributed capital increased $87.9M, or 92.8%, from $94.7M to $182.6M, including distributions of $159.5M. The Funds' net interim internal rate of return as of June 30, 2008 is 211.0%. The investment in Noviy Disk ("ND") finally closed in June after months of internal clean-up required to put the company on the path to transparency. ND is an exciting, rapidly-growing, generally well-managed distributor of computer games, a leader in its market. The Funds invested $12.0M in exchange for 12.2% of the fully-diluted outstanding equity at a valuation of 0.8 times FY07 revenues and 3.2 times EBITDA for the year ended December 31, 2007. An additional investment of $8.3M was provided by Martinson Trignon Venture Partners of Estonia plus a few individual investors. Also in June, TUSRIF received a distribution of $4.4M representing its share of proceeds from sale of DRF's interest in Tokido Holdings Limited, reflecting, in turn, a realized gain to TUSRIF of $2.0M. Cumulatively, since DRF commenced investing in June 2004, TUSRIF has received distributions of $56.9M, made capital contributions of $35.7M and realized gains of $32.9M. Deal flow is stronger than it has ever been, with more mature companies beginning to seek larger capital infusions for growth. Among them are a leading credit card manufacturing company, a credit card processor, a Russian media distribution company, and a chain of automated car washes. Like ND, however, these mature companies generally require more clean-up prior to closing. Fund-raising for DRF II got underway officially in May following a few delays, mainly in the ND closing. Given the current disarray in equity and debt markets world-wide and events in Russia, we expect the process to take longer than originally contemplated.

[1] Stated after adjusting for distributions totaling $159.5M.
[2] Amounts include Delta Russia Individual Investors, L.P., a parallel investment vehicle established to enable certain individual investors to invest alongside DRF on a pro rata and pari passu basis.

The Fund's Legal Ownership: 36.90%
The Fund's Current Economic Ownership: 31.41%

Purchase Dates	Type of Security	Cost	Comments	Last Quarter's Valuation	Current Quarter's Valuation
Jun-Dec 2004	PI	$29,900,000	In-kind contr. of DC and DB shares		
Jul-Dec 2004	PI	$(6,007,165)	1st, 2nd and 3rd calls refund by DRF		
Nov-2004	PI	$(9,240,524)	Partners distribution on DB sale		
Mar-2005	PI	$926,100	4th capital call		
May-Jun 2005	PI	$(4,142,421)	Net Equalization payment received following second closing[1] of DRF		
May 2005	PI	$(1,495,223)	Partners distribution on DB sale		
Jun-2005	PI	$1,661,482	5th capital call		
Aug-2005	PI	$(1,618,290)	Partners distribution on NCN sale		
Sep-2005	PI	$1,198,840	6th capital call		
Nov-2005	PI	$(6,420,361)	Partners distribution on DCB sale		
Dec-2005	PI	$2,582,041	7th capital call		
Feb-2006	PI	$(103,698)	Partners distribution on DCB sale and DB optionees forfeiture		
Jul-2006	PI	$(71,598)	Partners distribution on Compulink dividend		
Jul-2006	PI	$(1,652,548)	Partners distribution on SPAR sale		
Aug-2006	PI	$805,071	8th capital call		
Sep-2006	PI	$(351,490)	Partners distribution on Compulink partial sale		
Oct-2006	PI	$400,484	9th capital call		
Feb-2007	PI	$674,618	10th capital call		
Mar-2007	PI	$(684,343)	Partners distribution on Compulink sale (net of adj)		
Apr-2007	PI	$683,910	11th capital call		
May-2007	PI	$1,193,245	12th capital call		
Dec-2007	PI	$2,084,743	13th capital call		
May-2008	PI	$3,770,857	14th capital call		
Jun-2008	PI	$(2,436,852)	Partners distribution on Almirida/Tokido sale		
Current Holdings:		$11,656,865		$7,990,786	$7,190,022

Valuation Method: Based on TUSRIF's limited partner capital balance as reflected in DRF's unaudited financial statements as of June 30, 2008.

[1] Excludes net interest of $0.2M received at second closing.

The Fund's Legal Ownership: 36.90%
The Fund's Current Economic Ownership: 31.41%

Vesch!
Contact: Patricia M. Cloherty (D)
Olga Yakobson

Business: Retail Apparel
Location: Moscow/ Regions
Current Stage: Expansion
Date Invested: October 2004, August 2006
Status Rating: B
Other Major Investors: Delta Russia Fund, L.P., Founders
Total Investment Dollars Raised to Date: $5.5M
The Fund's Valuation of the Company: $10.5M
Financial Data (000's):

Fiscal Year Ends December 31	Three Months		Six Months		FY07
	6/30/08	6/30/07	6/30/08	6/30/07	12/31/07
Sales	$20,965	$14,808	$37,530	$25,869	$63,729
EBITDA	404	1,279	162	1,301	4,615
Net Income	750	817	(351)	421	1,897
Net Worth	$ 8,070	$ 7,601	$ 8,070	$ 7,601	$ 9,077
# of employees	1,044	846	1,044	846	961

Business Description: In December 2004, the Fund invested in "Vesch!", an apparel retail chain, to finance an accelerated store build-out plan. Vesch! is managed and controlled centrally from its Moscow head office and central warehouse. The company's stores carry approximately 7,000 SKUs, 80% of which are sourced locally. The product assortment covers a range of men's, women's and children's semi-formal and casual wear targeted to the value-conscious middle-class consumer.

Recent Developments: Vesch's net sales for 2Q08 were $21.0M, a 42.0% increase over last year but 33.0% below budget. Same store sales increased by 13.9%. EBITDA was $0.4M versus $1.28M last year and a budgeted $2.5M. Factors that explain underperformance to budget include the following: (i) a slowdown of growth in the apparel market generally; (ii) increased competition; (iii) overly optimistic sales-budgeting of existing and new stores; and (iv) delays in new store openings. In 2Q'08 the company opened seven new stores instead of the 19 initially planned, or 12 for 1H'08, increasing the total number of stores to 46 versus 34 at 2007 year-end. In 2H'08, the company plans to open 18 new stores, of which seven should open in August, bringing the total for 2008 to 30 new stores versus 49 initially planned. The decision to effect a mid-year course correction and to slow down the development pace was approved by the company's BOD. The company's forecast estimates a still respectable and more achievable $96.2M in net sales and EBITDA of $6.3M. This will be the CEO's first year in office, as she has "fired on all cylinders" to improve operations. Among other things, in 2Q'08 the company completed private label development for the 2008-2009 autumn/winter season, improved assortment management, and started shifting from consignment contracts to purchase agreements to reduce costs.

Purchase Dates	Type of Security	No. of Shares	Common Equivalent	Cost	Last Quarter's Valuation	Current Quarter's Valuation
Oct-Dec 2004	Preferred Stock	25,000	25,000	$2,500,000		
Dec-2004	Preferred Stock	(20,000)	(20,000)	$(2,000,000)		
Aug-2006	Ordinary Shares	2,000	2,000	$200,000		
Current Holdings:	Equity		7,000	$700,000	$700,000	$700,000

Valuation Method: Valued at cost.

The Fund's Current Ownership: 6.66%
Total of The Fund's Potential Ownership: 6.66%

Europlan: Europlan (formerly DeltaLeasing) was sold to Barings Vostok in November 2003 for \$16.4M, but the Fund retained on its books an outstanding loan of \$2.395M, the principal amount of which is due to the Fund with accrued and unpaid interest on September 1, 2010. Interest is accrued at the rate of 4.67% per annum, due and payable semi-annually. The loan is current.

FunTech: In 1996, the Fund invested \$1.0 million in FunTech, a company in the copier business with Xerox, in exchange for 26.0% of the outstanding equity plus a four-year, \$1.0 million loan. Following the 1998 crisis, the company could not meet its obligations. In 1999, the Fund wrote its equity investment down to zero, and the debt was written off in 2003. In 4Q04, the Fund recovered the debt portion of the investment, which was repaid (minus accrued interest) in October 2006. In Fall 2006, Chief Executive Officer Pat Cloherty and Managing Director Roman Simonov took over the recovery efforts related to the equity portion of the investment. On review of relevant documents, it appeared that serious breaches of contract occurred such that TUSRIF ended up owning 26.0% of a small, \$4.0 million revenue copy service business while the two other signatories to the 1996 Stock Purchase Agreement, Xerox and the manager/owners, created a separate product-based business that operates profitably today at some \$140.0 million or more in volume, making it one of the largest copier vendors in Russia. This and other aspects of the parties' actions appear to contravene the non-compete provisions of the SPA, and possibly also to violate other general rules and regulations governing doing business in Russia. We are seeking redress and have held discussions with both parties. To buttress our position, we have retained counsel to review the facts. And we have gotten the company to agree to be sold, represented by Deutsche Bank. TUSRIF's recovery, estimated at a minimum of \$10.0 million, will come from proceeds of that sale if it succeeds.

Agribusiness Partners International L.P. II: Agribusiness Partners International L.P. II ("API II") was formed in December 1995 as a parallel fund of Agribusiness Partners International L.P. ("API") to seek capital appreciation and income by investing in agricultural, food processing and related businesses in the CIS region. API was an OPIC guaranteed fund, while API II was not. The Fund invested \$5.0M to purchase five units in API II, each unit consisting of \$250k in partnership interests, and a \$750k promissory note. Both partnerships, which together had capital of \$100M, were managed by an affiliate of Omaha-based America First Companies. The funds' two most significant portfolio investments, Chicken Kingdom (formerly Golden Rooster) and Rasko, were sold in 2007 for total distributions to TUSRIF of \$7.7M. The release of cash from the Polygraph sale was made in January 2008, with a cash distribution to TUSRIF of \$140k received in May 2008. In June 2008 TUSRIF received a cash distribution of \$160k from the sale of the funds' remaining investment, Global Ice Cream. The funds' manager is completing the liquidation of the funds. Any remaining cash after payment of expenses will be distributed to investors. There will be no further coverage of the company.

Small Business Program

As of June 30, 2008

	Small Business (a)	Microenterprise	Auto Lending	Mortgage Lending (b)	Total
Disbursed	$44,280,454	$1,001,956	$9,835,000	$185,236	$55,302,646
Reflows					
Principal	41,179,808	945,698	9,802,027	185,236	52,112,769
Interest (c)	2,911,320	95,920	1,008,543	272,705	4,288,488
Write-offs	3,100,646	56,258	32,973	-	3,189,977
Loans Outstanding	-	-	-	-	-

(a) Includes community lending, trade finance and direct loans.

(b) Mortgage loan portfolio of the Fund was transferred to DC Mortgage effective January 1, 2001. The transfer price was $5,065,446 representing principal and accrued interest as of December 31, 2000 of $5,023,938 and $41,508, respectively. The remaining amounts in the table classified as Mortgage Lending represent two banks, Petrovsky and Industry & Construction Bank, St. Petersburg, which were not included in the assignment.

(c) As of April 1, 2001, interest received by the Fund on small business, micro and auto lending programs, net of $3,500 per month through August 2003 and net of $1,500 per month thereafter, was in turn paid to DeltaBank for administering the loan portfolios. The amounts reflected in the above table are stated at gross amounts received by the Fund. As of December 31, 2003, the end date of the agreement, the Fund paid DeltaBank a cumulative total of $760,435 in such fees.

Technical Assistance Program

For the nine months ended June 30, 2008

	IT Support & MIS	IAS Audit & Due Diligence	Training & Conferences	Consultants	Other	Total
Investee Companies*:						
DeltaLeasing	-	-	-	17,321		17,321
Prime Star	-	-	-	61,371		61,371
Nevsky 49	-	-	-	7,290	-	7,290
Noviy Disk	-	-	-	28,304		28,304
Call Centers	-			10,000	-	10,000
FunTech	-	-	-	18,787		18,787
Subtotal: Investee Companies	-	-	-	143,073	-	143,073
Program Initiatives:						
U.S. Russia Center for Entrepreneurship	-	-	-	-	1,786,848	1,786,848
W. Kuemmerle - training	-	-	-	69,470	-	69,470
Subtotal: Program Initiatives	-	-	-	69,470	1,786,848	1,856,318
Total	$ -	$ -	$ -	$ 212,544	$ 1,786,848	$ 1,999,392

* Including current and potential investee companies of the Fund and DRF.

Technical Assistance Grants

Inception through June 30, 2008
($'000s)

	1994/ 1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 YTD	TOTAL
Financial Services															
DeltaBank	-	-	-	-	104	685	899	1,352	595	275	52	-	-	-	**3,962**
DeltaCredit	-	-	-	-	32	728	491	255	124	668	508	50	-	-	**2,854**
Europlan	-	-	-	-	23	63	88	98	95	-	-	-	-	-	**368**
DeltaLeasing	-	-	-	-	-	-	-	19	44	108	185	1	28	17	**402**
Subtotal: Fin'l Services	-	-	-	-	*159*	*1,475*	*1,478*	*1,724*	*858*	*1,050*	*746*	*51*	*28*	*17*	*7,586*
Operating Co. Investments															
DI General	-	33	2	-	48	25	-	-	-	-	-	-	-	-	**108**
Akella	-	-	-	-	-	-	-	-	-	-	39	-	-	-	**39**
Call Centers	-	-	-	-	-	-	-	-	-	-		-	-	10	**10**
Campanella	-	-	-	-	-	-	-	-	-	-	-	41	-	-	**41**
Credit Bureau project	-	-	-	-	-	-	-	-	6	194	98	-	-	-	**298**
Cybiko		-	-	-	-	-	-	2	-	-	-	-	-	-	**2**
EGAR Technology	-	-	-	-	-	-	-	-	-	-	-	4	-	-	**4**
Frank's Siberian Supreme (Far East & Siberia)	-	-	-	15	8	-	-	-	-	-	-	-	-	-	**23**
FunTech	-	-	43	20	25	9	-	-	-	-	-	-	-	19	**116**
GVCO (Novgorod)	-	-	33	37	-	-	-	-	-	-	-	-	-	-	**70**
Interstom	-	-	-	7	7	-	-	-	-	-	-	-	-	-	**14**
Invacorp	-	-	-	100	-	-	34	22	-	-	-	-	-	-	**156**

Technical Assistance Grants

Inception through June 30, 2008
($'000s)

	1994/ 1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 YTD	TOTAL
Operating Co. Investments															
Kontract, Ltd.	-	-	-	-	-	-	-	-	-	-	50	-	-	-	**50**
Logistic Management	-	-	-	-	-	-	-	38	-	-	-	-	-	-	**38**
Lomonosov Plant	-	-	-	-	-	-	10	100	-	-	-	-	-	-	**110**
NCN	-	-	-	-	-	-	-	-	-	-	110	-	-	-	**110**
Nevsky 49	-	-	-	-	-	-	69	-	-	-	-	-	59	7	**135**
Noviy Disk	-	-	-	-	-	-	-	-	-	-	-	-	-	28	**28**
One Globe (formerly Sirin)	-	-	-	-	-	-	-	-	-	-	36	-	68	-	**104**
Opten	-	-	-	-	-	-	-	-	-	-	-	-	8	-	**8**
Payment Systems Sector:															
Consultant: R. Phillimore	-	-	-	-	-	-	-	-	-	-	-	-	44	-	**44**
Plyko	-	249	-	11	-	-	-	-	-	-	-	-	-	-	**260**
Polygraf	-	-	-	-	13	63	-	-	-	-	-	-	-	-	**76**
Prime Star	-	-	-	-	-	-	-	-	-	-	30	84	237	61	**412**
RILS Management Ltd.	-	-	-	-	-	-	-	-	43	239	-	-	-	-	**282**
Russian Petroleum Investor	-	150	63	-	-	-	-	-	-	-	-	-	-	-	**213**
Saint Springs	-	-	31	-	45	-	-	-	-	-	-	-	-	-	**76**
Science projects:															
Consultant: F. Landsberger	-	-	-	-	-	-	-	-	-	-	-	70	12	-	**82**
Consultant: P. Lazarev		-	-	-	-	-	-	-	-	-	-	43	-	-	**43**
FriendlyLight					-	-	-	-	-	-	-	37	53	-	**90**

Technical Assistance Grants

Inception through June 30, 2008
($'000s)

	1994/ 1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 YTD	TOTAL
Operating Co. Investments															
Segol RadioPage	-	-	-	-	44	16	151	13	-	-	-	-	-	-	**224**
SPAR	-	-	-	-	-	-	-	-	-	-	-	70	-	-	**70**
SPAR Middle Volga	-	-	-	-	-	-	85	75	-	-	-	-	-	-	**160**
Technology Solutions	-	-	-	-	-	-	-	8	6	-	-	-	-	-	**14**
Time	2	-	-	-	-	-	-	-	-	-	-	-	-	-	**2**
Ural Glass Company	-	-	-	-	-	-	-	19	-	-	-	-	-	-	**19**
USP Compulink	-	-	-	-	-	-	-	-	12	87	75	103	78	-	**355**
Vesch!	-	-	-	-	-	-	-	-	-	20	17	-	6	-	**43**
ZAO Gard Holding	-	30	-	-	-	-	-	-	-	-	-	-	-	-	**30**
Subtotal: Operating Companies	***2***	***462***	***172***	***190***	***190***	***113***	***349***	***277***	***67***	***540***	***455***	***452***	***565***	***125***	***3,959***
Small Business															
Averon-MT (Ural region)	-	-	-	-	10	-	-	-	-	-	-	-	-	-	**10**
Crisis Guide	-	-	-	-	200	-	-	-	-	-	-	-	-	-	**200**
Fartop (Far East)	-	-	-	10	-	-	-	-	-	-	-	-	-	-	**10**
Kanadsky Khleb (Far East)	-	-	-	-	10	-	-	-	-	-	-	-	-	-	**10**
Primsotsbank (Far East)	-	-	-	-	-	17	35	-	-	-	-	-	-	-	**52**
PwC (13 sessions of Credit Analysis for SBP)	-	-	213	79	23	-	-	-	-	-	-	-	-	-	**315**
Volkhov Miroleasing (St. Pete)	-	-	-	-	2	1	-	169	-	-	-	-	-	-	**171**
Subtotal: Small Business	*-*	*-*	***213***	***89***	***244***	***18***	***35***	***169***	*-*	*-*	*-*	*-*	*-*	*-*	***769***

Technical Assistance Grants

Inception through June 30, 2008
($'000s)

	1994/ 1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 YTD	TOTAL
BPP															
BPP Management conference	-	-	-	-	21	27	-	-	-	-	-	-	-	-	**48**
Subtotal: BPP	-	-	-	-	*21*	*27*	-	-	-	-	-	-	-	-	***48***
Microenterprise Lending Program															
Opportunity International (microlending program) (N. Novgorod)	-	-	50	50	-	-	-	-	-	-	-	-	-	-	**100**
PwC - Micro Credit Program	-	-	-	-	20	-	-	-	-	-	-	-	-	-	**20**
Russian Women's Microfinance Network (N. Novgorod)	-	-	-	-	-	50	-	-	-	-	-	-	-	-	**50**
Working Capital/Counterpart (microlending program) (Far East- Khabarovsk)	-	-	163	274	161	180	101	-	-	-	-	-	-	-	**880**
Subtotal: Microenterprise Lending Program	-	-	***213***	***324***	***181***	***230***	***101***	-	-	-	-	-	-	-	***1,050***

Technical Assistance Grants

Inception through June 30, 2008
($'000s)

	1994/ 1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 YTD	TOTAL
Corporate Governance	-	-	-	-	-	-	-	-	-	-	62	-	-	-	**62**
Private Fund	-	-	-	-	-	-	171	427	633	825	434	39	-	-	**2,529**
10th Year Anniversary	-	-	-	-	-	-	-	-	-	-	17	-	-	-	**17**
The U.S. Russia Investment Fund	-	-	-	-	-	-	-	-	-	305	-	-	-	-	**305**
U.S.-Russia Business Council	-	-	-	-	-	-	-	-	-	-	25	-	-	-	**25**
U.S. Russia Center for Entrepreneurship	-	-	-	-	-	-	-	575	1,137	1,666	1,607	1,822	1,680	1,787	**10,273**
W. Kuemmerle-training for investee companies	-	-	-	-	-	-	-	-	-	-	-	107	-	69	176
Total	2	462	598	603	795	1,863	2,136	3,172	2,695	4,385	3,345	2,471	2,272	1,999	**26,799**

Principles for Environmental Management

The U.S. Russia Investment Fund (the "Fund") is a private, non-profit corporation funded initially by the U.S. Government to encourage the development of private businesses in Russia. An important aspect of this task is to encourage the emerging private sector to be sensitive to the environmental implications of its activities and, where necessary, work to improve over time any negative environmental repercussions of such activities. To this end, the Fund will seek to ensure that it and the firms in which it invests will not support any activity that poses a significant threat of irreparable harm to the environment.

In making decisions regarding investments, the Fund will, whenever practicable, attempt to follow the policies underlying the International Chamber of Commerce's Business Charter for Sustainable Development and the CERES Principles. While committed to improving the Russian environment, the Fund recognizes that the unique circumstances in Russia, particularly the existence of significant environmental degradation caused by previous environmental practices, dictate that the process of improving environmental performance in Russia will be ongoing and gradual. Under such conditions, the Fund cannot guarantee the attainment of specific environmental objectives, but it is committed to ensuring that the firms in which it invests take steps to mitigate environmental degradation.

In practice, the Fund's efforts to encourage continuous improvement of the environmental posture of firms in which it invests and of Russian business generally will take several forms. First, the Fund will consider the environmental posture of a firm as part of the standard application and project evaluation process. As a project moves through the approval process, environmental issues will be discussed as necessary. In cases where the business for which investment is sought causes adverse environmental impacts, the Fund will finance only those investments which over the long term will raise environmental compliance levels.

Second, the Fund will expect management of the firms in which it invests to demonstrate a commitment to improving the environmental performance of their firms and to reducing the harmful effects their products, processes, or operations have had or do have on the environment. To this end, whenever possible, the Fund will encourage the enterprise in which it invests to modify activities and operations to mitigate harm to the environment.

Third, once financing is made available and where feasible and necessary, the Fund will attempt to arrange for ongoing advice and technical assistance to firms in which it invests. Such monitoring and advice with respect to environmental performance will be a part of this ongoing relationship.

Policies and Practices Conducive to Private Sector Development

Once known mainly for its lending activities, the Fund now is recognized mainly as a pioneer in Russia in the venture capital/private equity industry, financing a highly diverse range of businesses at the equity level and promoting entrepreneurial skills and culture. Businesses backed have been clustered in three areas: financial services; technology, media and telecom ("TMT"); and consumer products and services.

The Fund's contribution to Russia's financial services sector has been substantial. Three of four investments in the sector have been sold: DeltaLeasing to Baring Vostok in 2003; DeltaBank to GE Consumer Finance in 2004; and DeltaCredit Bank to Société Générale in 2005. DeltaLeasing Far East (renamed DeltaLeasing in 2004) accomplished a financial turnaround in FY04. It now is performing well, is increasingly profitable, and is expected to be sold by year-end 2008.

Beyond financial services, TUSRIF also financed over its nine year investment cycle some 41 other diverse companies. Media has been an especially productive investment area for TUSRIF. Its best deal in history was INTH (Channel 3 on Russian television), which was sold in 2006 for 14.2 times cost. Two SPAR supermarket chains, St. Springs (bottled water), Lomonosov Porcelain, and Vesch! (apparel chain), were among the Fund's consumer-oriented holdings. Vesch! is one of three investments remaining in the Fund's portfolio.

The effect of this somewhat eclectic strategy was not only to contribute to the much-sought-after diversification of the Russian economy away from almost exclusive reliance on natural resources, but also, when the companies succeeded, to create both new wealth and new jobs in many areas of business and industry.

In working with portfolio companies, TUSRIF introduced and refined many private sector practices and policies widely-used in the West. Among these have been the following:

- Use of performance-based employee incentive programs, such as employee stock options, profit sharing and performance bonuses;
- Enforcement of contract terms in intellectual property, title, and shareholder rights matters;
- Insistence on financial transparency and clear corporate governance;
- Benchmarking of comparative operating ratios of portfolio companies with best practice internationally so as to increase productivity;
- Provision of management training for entrepreneurial management teams of portfolio companies as well as more broadly in the Russian economy;
- Diverse efforts to promote an entrepreneurial culture.

Policies and Practices Conducive to Private Sector Development (cont'd)

The establishment of The U.S. Russia Center for Entrepreneurship ("CFE") in 2002, funded with a Technical Assistance Grant, gave impetus and scope to TUSRIF's work. CFE develops and delivers learning modules in subjects ranging from fund-raising presentations to cash flow management. Working with partners such as the Young Entrepreneurs' Organization, CFE sponsors conferences, panel discussions and networking events that stimulate a healthy entrepreneurial culture in Russia. In partnership with Ernst & Young, CFE launched the Entrepreneur of the Year competition in 2003, creating great excitement among entrepreneurs as well as new focus on building great, transparent companies. CFE functions as a support organization for entrepreneurs who have both the desire and ability to grow their companies, and in the process to shape enterprises that are among the most significant job generators and wealth creators in the Russian economy.

TUSRIF also publishes books and monographs to support its mission. <u>Taming the Wild East: New Russian Entrepreneurs Tell Their Stories</u>, was published in 2004 to mark the Fund's 10th Anniversary. It was well-received and is now in commercial distribution in Russian retail markets under license to Alpina, the country's leading business book publisher.

A second small monograph, entitled <u>Doing Business in the New Russia</u>, was released in September 2007. It tells a story of change, not only in the business environment, but also in the Russian way of life. We are using it in connection with capital-raising and more broadly.

An exciting project, Entrepreneurial Inventor Contests, occurred in 2006 and 2007 when Pat Cloherty advanced $10,000 annually in personal funds to Junior Achievement of Nizhny Novgorod. Some 200 aspiring high school age entrepreneurs competed for prizes for their inventions and business plans as they sailed down the Volga, with parents, teachers and judges in attendance.

Professional development is a priority of the Fund. Professor Walter Kuemmerle, a former Harvard Business School ("HBS") expert on entrepreneurial business in emerging markets, has offered professional development workshops in 2006 and 2007 to the Fund's portfolio company managers and to the DPEP staff, all based on HBS' case study method. The program was extremely effective and will be continued in various formats in the future.

On broader economic development matters, TUSRIF (Moscow) co-chaired a meeting of Enterprise Funds held on May 24, 2007, at the Woodrow Wilson Center for Scholars in Washington, DC. DPEP raised funds to finance the conference from the Kansas City-based Ewing Marion Kauffman Foundation, whose President and Chief Executive Officer, Carl Schramm, was the opening keynote speaker.

Policies and Practices Conducive to Private Sector Development (cont'd)

Also for that conference, DPEP hired a film team to make a DVD featuring one outstanding entrepreneur and his/her company from each of the Enterprise Funds. Those DVD's as well as a White Paper summarizing the contents of the conference are being made available for broad distribution.

Policy and practice surrounding issues of commercialization of technology continue to be a challenge for DPEP. While intellectual property ("IP")-based businesses are known to create high capital values that accelerate economic development, Russia lacks the requisite infrastructure in which to launch them. IP protection is weak. And commercialization skills are rare. DPEP's two year experiment of hiring a technologist to find and develop a few IP-based businesses was not productive. We reported in our last report that we had hired an Entrepreneur-in-Resident, Oleg Rashkovskiy, to develop an IP-based company as another, and a distinctive, approach to achieving capital values from IP. Oleg's premature death in fall of 2007 signaled the likely end of that experiment, as it is rare to find a person of such intellectual and business prowess capable of establishing such a platform.

Finally, DPEP continues to receive widespread recognition and awards for its efforts in stimulating entrepreneurship and financing growth companies. In June 2007, Pat Cloherty was selected for the Global Leadership Award by Columbia University School of International and Public Affairs and was honored at a gala dinner in New York City. Also in June, on behalf of DPEP, Pat was selected by the Kennan Institute of the Woodrow Wilson School in Washington, DC to receive its Award for Corporate Citizenship. She accepted the award along with Victor Vekselberg, the prominent Russian owner of the Renova Group, at a gala event in Washington held on October 18, 2007. in November 2007, Pat received the DARIN Award, one of the most prestigious awards presented by the Russian Academy of Business. The XI Russian Business Award ceremony took place at the State Academic Bolshoi Theatre of Moscow. Legend has it that Darin is a rare diamond from the Urals presented to the entrepreneurial class by the Russian Empress Ekaterina II with the words, "The gift shall bear testimony to your high repute and renowned services to the Fatherland." For more than ten years, the DARIN Award has recognized businesspeople with immaculate reputations of public service as important contributors to building the new Russia. In 2007 the DARIN Award became an internationally recognized standard, gaining authority and recognition amongst chairmen of multinational corporations.

In March 2008 Pat was awarded the Order of Friendship from the Russian Federation by then-President Putin. The Order of Friendship is the highest honor awarded to non-Russian citizens for their contribution to the development of Russian business and to strengthening friendship and cooperation between the Russian Federation and the United States.

Administrative Review

Staff

In June 2004, to meet its USG policy mandate to privatize as soon as feasible, the Fund established a private management company, Delta Private Equity Partners, LLC ("DPEP"), to manage the investments remaining in the portfolio and to raise and manage the private successor fund, Delta Russia Fund, L.P.

Following the privatization, all but one of the Fund's staff was transferred from employment by the Fund to employment by DPEP and its affiliated company, Delta Private Equity Advisors, LLC. Gregory Sundstrom, Chairman of DeltaLeasing, is the exception. He is the only current TUSRIF employee as he is directly connected with a mission-driven investment. His employment by the Fund is expected to terminate when the investment is sold, when the company can support his compensation.

The
U.S. Russia
Investment Fund

The U.S. Russia Investment Fund
545 Fifth Avenue
Suite 300
New York, NY 10017
212 818-0444
Fax 212 818-0445

Lori I. Singer
Vice President and CFO

September 1, 2008

Ms. Maureen Dugan
Director, Office of Economic Growth (EE/EG)
Bureau for Europe and Eurasia
U.S. Agency for International Development
Room 5.08-101
1300 Pennsylvania Avenue
Washington, D.C. 20520

Dear Ms. Dugan:

I have reviewed the payroll records for The U. S. Russia Investment Fund (the "Fund"). Based on this review, no employee or consultant of the Fund is being paid a salary in excess of $150,000 per annum.

I have confirmed with our portfolio companies senior management that no staff member of the Fund or of an affiliate/subsidiary or majority owned investment is being paid a salary in excess of $150,000 per annum from the USG grant, pursuant to its terms.

Sincerely,

Lori Singer

The U.S. Russia Investment Fund

Unaudited Balance Sheet

As of June 30, 2008

ASSETS		
Investments, at carrying value (cost basis $46,832,410)	$	63,856,098
Liquid instruments		186,368,930
Cash and cash equivalents		13,064,319
Accounts receivable		168,666
Fixed assets, net		2,948
Prepaid expenses and deposits		73,934
TOTAL ASSETS	$	263,534,895

LIABILITIES AND FUND BALANCE		
Accounts payable and accrued expenses	$	571,474
Equity incentive plan payable		1,543,602
Total Liabilities		2,115,076
Fund Balance		261,419,819
TOTAL LIABILITIES AND FUND BALANCE	$	263,534,895

The U.S. Russia Investment Fund

Unaudited Statement of Investment Operations

For the nine months ended June 30, 2008

INCOME		
Interest, fees and dividends on investments and loans	$	8,115,079
Interest on cash and cash equivalents		435,442
Total income		8,550,521
EXPENSES		
Personnel		230,039
Equity Incentive Plan		731,674
Occupancy		72,258
Depreciation and amortization		3,893
Telecommunication		10,890
Administrative		130,736
Capital Advisors Group fee		341,339
Professional services		884,177
Employee travel		79,114
Directors' expenses		331,119
PR and Marketing		4,539
Management fee		5,287,500
Total expenses		8,107,278
Excess of income over operating expenses		443,243
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Unrealized loss on investments		(3,419,990)
Realized gain on investments		5,036,614
Foreign currency translation loss		96
Net realized and unrealized gain (loss)		1,616,720
Net increase in fund balance resulting from investment operations		2,059,963
Technical assistance grants		(1,999,392)
Funds transferred to Foundation		(55,000,000)
Net change in fund balance		(54,939,429)
Fund balance, beginning of the period		316,359,248
Fund balance, end of the period	$	261,419,819

The U.S. Russia Investment Fund

Unaudited Statement of Cash Flows

For the nine months ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase in fund balance resulting from investment operations	$ 2,059,963
Adjustments to reconcile net increase in fund balance to net cash provided by operating activities:	
Depreciation and amortization	3,893
Unrealized loss on investments	3,419,990
Realized gain on investments	(5,036,614)
Changes in assets and liabilities:	
Accounts receivable and accrued interest	(107,395)
Prepaid expenses and deposits	(15,865)
Accounts payable and accrued expenses	179,535
Equity incentive plan	101,967
Net cash provided by operating activities	605,474
CASH FLOWS FROM INVESTING ACTIVITIES	
Funds transferred to the Foundation	(55,000,000)
Technical assistance grants expended	(1,999,392)
Investments in liquid financial instruments	59,068,748
Investment disbursements	(20,855,600)
Investment principal repayments and sales proceeds	12,473,466
Net cash used in investing activities	(6,312,778)
Net decrease in cash and cash equivalents	(5,707,304)
Cash and cash equivalents, as of September 30, 2007	18,771,623
Cash and cash equivalents, as of June 30, 2008	$ 13,064,319

The U.S. Russia Investment Fund

Unrealized and Realized Gains (Losses)

For the nine months ended June 30, 2008

Sales:	Cost Basis at 9/30/07	Unrealized Gain (Loss) at 9/30/07	Carrying Value at 9/30/07	Sales Proceeds	For the nine months ended 6/30/08 Realized Gain (Loss) on Sale	For the nine months ended 6/30/08 Unrealized Gain (Loss)
Agribusiness Partners II	$5,000,000	$2,800,000	$7,800,000	$8,038,372	$3,038,372	$(2,800,000)
Delta Russia Fund (Tokido sales proceeds)				4,435,094	1,998,242	
	5,000,000	2,800,000	7,800,000	12,473,466	**5,036,614**	(2,800,000)

Interim Write-ups (write-downs):	Cost Basis at 9/30/07	Unrealized Gain (Loss) at 9/30/07	Carrying Value at 9/30/07	Debt Recovery	Unrealized Gain (Loss) FY08
Delta Russia Fund	-	-	-	-	(619,990)
	-	-	-	-	**(3,419,990)**

The U.S. Russia Investment Fund

Summary Expense Budget vs. Actual Performance

Excluding Equity Incentive Payments

For the nine months ended June 30, 2008

(000's omitted)	Budget	Actual	Over/(Under) Budget	Actual Nine Months Ended 6/30/07
Management Fee to DPEP	$5,288	$5,288	$ -	$ 5,288
Personnel	169	230	61[a]	356
Capital Advisors Group	338	341	3	287
Professional Services	563	884	321[b]	658
Administration	90	131	41[c]	110
Telecommunications	8	11	3	7
Occupancy	72	72	-	69
PR/Program Development	4	5	1	23
Employee Travel	38	79	41[d]	44
Directors Expenses	214	331	117	197
Depreciation and Amortization	4	4	-	5
Total Expenses	$6,788	$7,376	$588	$7,044

[a] Includes Heidrick & Struggles recruiting of Foundation CEO ($41k) plus payroll taxes on Equity Incentive Plan payments to U.S. tax filers ($20k). Both costs were not included in the budget.

[b] Includes fee to TCC Group not budgeted ($18k) plus Weil Gotshal total actual for nine months, excluding portion to Foundation for June of $111k, of $748k versus budget of $450k.

[c] Includes bank fee on DL transaction of $5k, storage and courier charges on TUSRIF archive files from Moscow (total $15k). In addition, although D&O is on budget ($62k annually), the Crime, Kidnap and Ransom policies have increased as compared to prior years.

[d] Greg Sundstrom's travel this year was greater than in prior year/budget.

Fund Drawdowns vs. Actual Expenditures

From Inception through June 30, 2008

Fiscal Year	Beginning Cash Balance	Draw Downs	Total Investments	Small Business Program	>90 Day Instruments	Technical Assistance	Foundation	Cash Operating Expenditures	Management Fees	Less Reflows	Employee Equity Incentive Payouts	Total Net Expenditures (Reflows)	Ending Cash Balance
1994	-	13,238,645	1,095,564	27,500		2,462		6,637,438		74,139		7,688,825	5,549,820
1995	5,549,820	39,652,512	28,611,003	2,304,373		-		11,560,000		958,391		41,516,985	3,685,347
1996	3,685,347	35,300,000	19,929,107	3,132,354		461,556		10,751,806		2,522,923		31,751,900	7,233,447
1997	7,233,447	31,750,000	25,174,735	5,494,480		597,908		8,685,039		5,455,601		34,496,561	4,486,886
1998	4,486,886	45,081,000	23,162,733	14,592,616		603,295		7,918,507		7,660,654		38,616,497	10,951,389
1999	10,951,389	5,440,000	15,182,907	5,892,503		795,276		10,072,528		19,892,485		12,050,729	4,340,660
2000	4,340,660	50,500,000	40,975,177	19,855,438		1,863,370		9,700,736		24,702,399		47,692,322	7,148,338
2001	7,148,338	15,500,000	35,790,022	3,455,382		2,135,645		8,663,578		38,012,159		12,032,468	10,615,870
2002	10,615,870	19,500,000	32,332,426	548,000		3,172,309		11,393,595		24,810,623		22,635,708	7,480,163
2003	7,480,163	42,000,000	43,223,046	-		2,694,955		9,760,775		10,310,460		45,368,316	4,111,846
2004	4,111,846	5,000,000	27,874,234	-		4,384,845		10,200,276	2,052,226	78,182,260	1,359,120	(32,311,560)	41,423,406
2005	41,423,406	25,000,000	19,748,071	-	106,303,519	3,345,074		2,392,892	5,287,500	99,490,355	6,438,300	44,025,001	22,398,405
2006	22,398,405	907,843	7,365,112	-	49,785,069	2,470,661		3,087,388	8,812,500	84,790,897	6,125,689	(7,144,479)	30,450,727
2007	30,450,727	-	2,952,257	-	68,453,162	2,271,783		2,108,100	7,050,000	84,560,607	13,404,410	11,679,105	18,771,623
YTD 2008	18,771,623	-	20,855,600	-	(64,773,208)	1,999,392		572,152	3,525,000	13,243,371	629,707	5,707,304	13,064,319
		328,870,000	344,271,993	55,302,646	159,768,541	26,798,531	55,000,000	114,646,841	26,727,226	494,667,322	27.957,226	315,805,682	

Strategic Framework Matrix

Goal: Establishment/Strengthening of SME's Across Different Sectors/Regions

1. Direct Investment Portfolio Digest:

Firm Name	Total Cost Basis ($ million) 06/30/08	Current Valuation ($ million) 06/30/08	Number of Jobs	Woman owned[1] %	Sales[2] ($ million)	Return on Equity[3] (%)	Location
DeltaLeasing (formerly DeltaLease Far East)	31.08	53.57	239		32.0	24.5	Vladivostok, Khabarovsk, Sakhalin, Novosibirsk, Tomsk, Barnaul, Kemerovo, Irkutsk, Omsk, Krasnoyarsk, Ekaterinburg, Moscow, St. Petersburg, Rostov-on-Don
Delta Russia Fund, L.P.	11.66	7.19	N/A		N/A	N/A	Russian Federation
Europlan[4] (formerly DeltaLeasing)	2.39	2.39	N/A		N/A	N/A	Moscow, St. Petersburg, Rostov, Samara, Nizhny Novgorod, Ekaterinburg
Fun Tech	1.00	-	N/A		N/A	N/A	Moscow
Vesch!	0.70	0.70	1,044		75.39	14.8	Moscow, Nizhny Novgorod, Volgograd
TOTAL DIRECT INVESTMENT	**46.83**	**63.85**					

[1] Please note that a significant number of investors are institutional as opposed to individuals.
[2] Stated for the 12 months through June 30, 2008
[3] Stated for the 12 months through June 30, 2008
[4] Includes Europlan Auto, formerly DeltaAuto Leasing.

Strategic Framework Matrix

2. Bank Partner Program

	Disbursed	# Companies/ borrowers	Women owned companies/ %	Principal Reflows	Interest &Fees Reflows	Write-Offs	Loans Outstanding
Small Business[1, 2]	$44,280,454	622	209/34%	$41,179,808	$2,911,320	$3,100,646[3]	-
Micro Enterprise[2]	1,001,956	390	115/30%	945,698	95,920	56,258	-
Auto Lending[2]	9,835,000	1,371	411/30%	9,802,027	1,008,543	32,973	-
Mortgage Lending[4]	185,236	16	8/50%	185,236	272,705	-	-
Total Bank Partner	$55,302,646	2,399	743/31%	$52,112,769	$4,288,488	$3,189,877	-

[1] Includes community lending, trade finance and direct loans.

[2] From April 2001 to December 2003 interest received by the Funds on small business, micro and auto lending programs, net of $3,500 per month until August 2003 and net of $1,500 per month thereafter, was paid to DeltaBank for administering the loan portfolios. The amounts reflected in the table are gross amounts received by the Fund.

[3] The majority of these write-offs occurred at the start up phase of the program.

[4] The bulk of the Fund's mortgage loan portfolio was transferred to DC Mortgage effective January 1, 2001. The transfer price was $5,065,446 representing principal and accrued interest as of 12/31/00 of $5,023,938 and $41,508, respectively.

Strategic Framework Matrix

Objective 1: Investments in SMEs in Different Sectors ($ millions)

1. Cumulative Investment through end of June 30, 2008:

	Actual Invested to Date
Direct Investments	344.3
Bank Partner Program	55.3
Technical Assistance	26.8
Foundation	55.0
Cash Operating Expenditure[1]	141.3
Reflows[2]	(466.7)
Surplus Funds Investment[3]	159.8
Cash Available	13.1
Grants Drawn Down from USG	328.9

[1] Includes management fees of $26.7 million.
[2] Includes investment and interest reflows net of employee equity incentive payments totaling $28.0 million.
[3] Surplus funds are held at State Street Bank managed by Capital Advisors Group. Governed by a Cash Investment Policy, all investments are held in U.S. dollars. Specific instruments include treasury securities, federal agency securities, corporate notes/bonds, commercial paper, municipal securities, money market mutual funds, and certificates of deposit all of high credit quality.

Strategic Framework Matrix

2. For Small Business and Micro-Lending, show the planned break-even year, including cost of funds.

	Planned year for break-even
Small Business	N/A
Micro	N/A

3. Does the Fund have a target ratio for Operating Expenses (gross) as a percent of Authorized Capital?

Yes/No	Ratio
Yes	**2¼ %**

4. By what year does the Fund expect to be fully invested?

Year
2005

Strategic Framework Matrix

5. What "profitability ratio" (Net Assets/Cash Drawn) does the Fund aim for at termination?

Actual 06/30/08	Target, End of Fund
96.2%*	**100%**

*Net Assets: $316,419,819[1]
Cash Drawn: $328,870,000

Objective 2: Capital Under Management By The Investment Managers From Other Sources

	Yes/No	Target Amount	First Closing Date	Final Closing Date
Delta Russia Fund, L.P.	**Yes**	**$119m[2]**	**June 16, 2004**	**May 17, 2005**

[1] Includes Funds transferred to Foundation of $55 million.
[2] Actual amount raised.

Strategic Framework Matrix

2. Other capital mobilized by Fund to date (cumulative for June 30, 2008).

	Firm/Organization	Amount ($millions)
US	Archer Daniels Midland	25.0
	ACT III	6.4
	AIG Brunswick	3.3
	Alliance ScanEast	3.0
	America First	5.0
	AOL	10.0
	Agribusiness Partners International	7.3
	Botts-Allen	7.3
	BV Capital Markets	22.5
	CS First Boston	2.0
	Delta Russia Fund, L.P.	53.6
	DLJ Fund Investment Partners	5.2
	Equitable	6.7
	GE Pension Trust	8.0
	Invesco	9.4
	JK&B Capital	2.0
	KKR	4.2
	Linder Funds	3.0
	Mercury Asset Mgt.	8.0
	Morgan Stanley Asset Mgt.	44.0
	News Corporation	6.1
	New Century Holdings	3.0
	Northwood Ventures LLC	2.4
	OPIC	135.0
	Pacific Fish Company	4.2
	Private Investors	2.8
	RHO Management	10.0
	UPS Capital	1.3
	US West	17.0
	Xerox	0.2
	William Farley affiliates	5.0
	TOTAL U.S.	**422.9**

Strategic Framework Matrix

Non US	Absolute Bank	2.2
	Arabella S.A.	1.8
	Basic Element	10.5
	Bassini Playfair affiliates	2.2
	Champion Technology Holding Ltd.	1.2
	The Chatterjee Group (TCG)	1.0
	Dart	41.0
	Eaton International	2.3
	EBRD	57.5
	FMO	7.5
	Framlington	8.5
	HIT AG	36.3
	Ice Breaker	10.2
	IFC	112.2
	Leo Capital	1.2
	Mint Capital	3.8
	Moscow-America	3.0
	Moscow Govt.	5.4
	Oriflame	2.0
	Private Investors	11.3
	Radisson/SAS	5.8
	Rurik Investments Ltd.	3.7
	Sector Capital/Baring Vostok	38.4
	Societe Generale	6.2
	Stena Group	20.0
	Stoner Group Ltd.	2.3
	Sun Capital	6.7
	Wireless Frontiers LP	5.5
	YPF	15.0
	Other	17.2
	TOTAL NON-U.S.	**441.9**

Strategic Framework Matrix

4. Financial Institutions Created/Strengthened. In "Amount", show other capital mobilized to date.

	Amount ($millions)
Institutions Created:	
DeltaBank	40.51
DeltaCredit Bank	238.02
Europlan (formerly DeltaLeasing)	21.21
DeltaLeasing (formerly Delta Lease Far East)	19.00
	318.74
Institutions Strengthened – Bank Partner Program	
Russian Far East	
Regio (Khabarovsk)	$0.89
Dalryb (Vladivostok)	1.11
Dalnevostochny (Vladivostok)	1.26
Dalnevostochny (Yuzhno-Sakhalin)	0.48
Bank of Moscow (Khabarovsk)	0.27
Primsotsbank	2.29
Kamchatagroprombank	1.47
	7.77
Northern Region	
Bank St. Petersburg	0.10
Baltiskiy	4.34
Bank Moscow (St. Petersburg)	0.10
Dalnevostochny (St. Petersburg)	0.11
Inkasbank	0.88
St Petersburg Bank for Reconstruction and Development	0.69
	6.22
Urals	
Gutabank	0.18
Severnaya Kazna	3.17
Uralvneshtorg	1.03
	4.38

Strategic Framework Matrix

Small Business Program	Amount ($millions)
Southern Russia	
Center-Invest (Rostov)	0.75
DonInvest (Rostov)	2.19
Gutabank (Rostov)	0.05
Krasnodar (Krasnodar)	0.10
Kuban (Krasnodar)	0.35
Bank of Moscow (Krasnodar)	0.33
Inkom Bank (Krasnodar)	0.07
Bank Moscow (Novorossiisk)	0.15
Mosbusiness (Krasnodar)	0.13
Pervomaisky (Krasnodarbank)	0.44
Pervomaisky (Krasnodar)	0.25
Pervomaisky (Kubanbank)	0.10
RosPromStroybank (Rostov)	0.26
First Mutual Credit (Krasnodarbank)	0.18
	5.35
Other, including Moscow	
Bank of Moscow (Kolomna)	0.27
Bank of Moscow (Moscow)	1.00
Bank of Moscow (Troitskoye)	0.81
Business Development	0.42
Credo	0.21
First Mutual Credit (Kostroma)	0.06
First Mutual Credit (Moscow)	0.99
Guta Bank (Moscow)	0.11
International Industrial Bank	1.88
Kostroma Sberbank	0.55
MDM Bank (Moscow)	3.05
Menatep	1.16
Mosbusiness (Troitskoye)	0.10
Mosbusiness (Pushkinskoye)	0.15
Probusiness	8.73
SBS Agro Bank	0.02
Yarsotsbank	0.68
	20.19

Policies and Practices Conducive to Private Sector Development

Objective 3: Policy Reform

Once known mainly for its lending activities, the Fund now is recognized mainly as a pioneer in Russia in the venture capital/private equity industry, financing a highly diverse range of businesses at the equity level and promoting entrepreneurial skills and culture. Businesses backed have been clustered in three areas: financial services; technology, media and telecom ("TMT"); and consumer products and services.

The Fund's contribution to Russia's financial services sector has been substantial. Three of four investments in the sector have been sold: DeltaLeasing to Baring Vostok in 2003; DeltaBank to GE Consumer Finance in 2004; and DeltaCredit Bank to Société Générale in 2005. DeltaLeasing Far East (renamed DeltaLeasing in 2004) accomplished a financial turnaround in FY04. It now is performing well, is increasingly profitable, and is expected to be sold by year-end 2008.

Beyond financial services, TUSRIF also financed over its nine year investment cycle some 41 other diverse companies. Media has been an especially productive investment area for TUSRIF. Its best deal in history was INTH (Channel 3 on Russian television), which was sold in 2006 for 14.2 times cost. Two SPAR supermarket chains, St. Springs (bottled water), Lomonosov Porcelain, and Vesch! (apparel chain), were among the Fund's consumer-oriented holdings. Vesch! is one of three investments remaining in the Fund's portfolio.

The effect of this somewhat eclectic strategy was not only to contribute to the much-sought-after diversification of the Russian economy away from almost exclusive reliance on natural resources, but also, when the companies succeeded, to create both new wealth and new jobs in many areas of business and industry.

In working with portfolio companies, TUSRIF introduced and refined many private sector practices and policies widely-used in the West. Among these have been the following:

- Use of performance-based employee incentive programs, such as employee stock options, profit sharing and performance bonuses;
- Enforcement of contract terms in intellectual property, title, and shareholder rights matters;
- Insistence on financial transparency and clear corporate governance;

Policies and Practices Conducive to Private Sector Development (cont'd)

- Benchmarking of comparative operating ratios of portfolio companies with best practice internationally so as to increase productivity;
- Provision of management training for entrepreneurial management teams of portfolio companies as well as more broadly in the Russian economy;
- Diverse efforts to promote an entrepreneurial culture.

The establishment of The U.S. Russia Center for Entrepreneurship ("CFE") in 2002, funded with a Technical Assistance Grant, gave impetus and scope to TUSRIF's work. CFE develops and delivers learning modules in subjects ranging from fund-raising presentations to cash flow management. Working with partners such as the Young Entrepreneurs' Organization, CFE sponsors conferences, panel discussions and networking events that stimulate a healthy entrepreneurial culture in Russia. In partnership with Ernst & Young, CFE launched the Entrepreneur of the Year competition in 2003, creating great excitement among entrepreneurs as well as new focus on building great, transparent companies. CFE functions as a support organization for entrepreneurs who have both the desire and ability to grow their companies, and in the process to shape enterprises that are among the most significant job generators and wealth creators in the Russian economy.

TUSRIF also publishes books and monographs to support its mission. Taming the Wild East: New Russian Entrepreneurs Tell Their Stories, was published in 2004 to mark the Fund's 10th Anniversary. It was well-received and is now in commercial distribution in Russian retail markets under license to Alpina, the country's leading business book publisher.

A second small monograph, entitled Doing Business in the New Russia, was released in September 2007. It tells a story of change, not only in the business environment, but also in the Russian way of life. We are using it in connection with capital-raising and more broadly.

An exciting project, Entrepreneurial Inventor Contests, occurred in 2006 and 2007 when Pat Cloherty advanced $10,000 annually in personal funds to Junior Achievement of Nizhny Novgorod. Some 200 aspiring high school age entrepreneurs competed for prizes for their inventions and business plans as they sailed down the Volga, with parents, teachers and judges in attendance.

Policies and Practices Conducive to Private Sector Development (cont'd)

Professional development is a priority of the Fund. Professor Walter Kuemmerle, a former Harvard Business School ("HBS") expert on entrepreneurial business in emerging markets, has offered professional development workshops in 2006 and 2007 to the Fund's portfolio company managers and to the DPEP staff, all based on HBS' case study method. The program was extremely effective and will be continued in various formats in the future.

On broader economic development matters, TUSRIF (Moscow) co-chaired a meeting of Enterprise Funds held on May 24, 2007, at the Woodrow Wilson Center for Scholars in Washington, DC. DPEP raised funds to finance the conference from the Kansas City-based Ewing Marion Kauffman Foundation, whose President and Chief Executive Officer, Carl Schramm, was the opening keynote speaker.

Also for that conference, DPEP hired a film team to make a DVD featuring one outstanding entrepreneur and his/her company from each of the Enterprise Funds. Those DVD's as well as a White Paper summarizing the contents of the conference are being made available for broad distribution.

Policy and practice surrounding issues of commercialization of technology continue to be a challenge for DPEP. While intellectual property ("IP")-based businesses are known to create high capital values that accelerate economic development, Russia lacks the requisite infrastructure in which to launch them. IP protection is weak. And commercialization skills are rare. DPEP's two year experiment of hiring a technologist to find and develop a few IP-based businesses was not productive. We reported in our last report that we had hired an Entrepreneur-in-Resident, Oleg Rashkovskiy, to develop an IP-based company as another, and a distinctive, approach to achieving capital values from IP. Oleg's premature death in fall of 2007 signaled the likely end of that experiment, as it is rare to find a person of such intellectual and business prowess capable of establishing such a platform.

Finally, DPEP continues to receive widespread recognition and awards for its efforts in stimulating entrepreneurship and financing growth companies. In June 2007, Pat Cloherty was selected for the Global Leadership Award by Columbia University School of International and Public Affairs and was honored at a gala dinner in New York City. Also in June, on behalf of DPEP, Pat was selected by the Kennan Institute of the Woodrow Wilson School in Washington, DC to receive its Award for Corporate Citizenship. She accepted the award along with Victor Vekselberg, the prominent Russian owner of the Renova Group, at a gala event in Washington held on October 18, 2007. in November 2007, Pat received the DARIN Award, one of the most prestigious awards presented by the Russian Academy of Business. The XI Russian Business Award ceremony took place at the State Academic Bolshoi Theatre of Moscow.

Policies and Practices Conducive to Private Sector Development (cont'd)

Legend has it that Darin is a rare diamond from the Urals presented to the entrepreneurial class by the Russian Empress Ekaterina II with the words, "The gift shall bear testimony to your high repute and renowned services to the Fatherland." For more than ten years, the DARIN Award has recognized businesspeople with immaculate reputations of public service as important contributors to building the new Russia. In 2007 the DARIN Award became an internationally recognized standard, gaining authority and recognition amongst chairmen of multinational corporations.

In March 2008 Pat was awarded the Order of Friendship from the Russian Federation by then-President Putin. The Order of Friendship is the highest honor awarded to non-Russian citizens for their contribution to the development of Russian business and to strengthening friendship and cooperation between the Russian Federation and the United States.

The
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Investment Fund

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Steven L. Pease
Chairman and CEO

September 1, 2008

Ms. Maureen Dugan
Director, Office of Economic Growth (EE/EG)
Bureau for Europe and Eurasia
U.S. Agency for International Development
Room 5.08-101
1300 Pennsylvania Avenue
Washington, D.C. 20520

Dear Ms. Dugan:

As Chairman and Chief Executive Officer of The U.S. Russia Investment Fund, I know of no instances of non-compliance with the terms of the Grant Agreement including any violation of General Provision 13 "Conflicts of Interest".

I know of no misuse or misappropriation of grant funds.

Sincerely,

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