
From: Vadim Pozharskyi [REDACTED]
To: Hunter Biden <[REDACTED]>
CC: Devon Archer [REDACTED]
Sent: 5/12/2014 11:51:22 AM
Subject: Re: urgent issue
Attachments: Criminal Code art 191.docx; Inquiry to Geological survey of ukr.jpg; Kroll report Zlochevskyi.pdf; Inquiry to State geological survey English.docx; Inquiry to MInistry of Ecology English.docx; Inquiry to Ministry of Ecology and Natural Resource.JPG

Exhibit 913

Dear Hunter,

You might have missed my email below where I in details described the situation, just resending it. I will communicate the ideas of yours to Nikolay.

Actually I believe Nikolay does not know Klitchko personally but knows somebody close to him, and he is acquainted with Poroshenko.

The minister of Internal Affairs is Mr. AVAKOV.

His political aligns and bosses are Tymoshenko and Turchinov.

Best regards, Vadym

2014-05-12 18:21 GMT+03:00 Vadim Pozharskyi [REDACTED]

Dear Hunter and Devon,

As to the questions you posed:

What are the formal (if any) accusations being made against Burisma and/or it's holding companies.

- **Official letters – Inquires from the Ministry of Internal Affairs that were sent to Ministry of Ecology and Natural Resources and to State Geological and Subsurface Survey are attached in Ukrainian and translated in English for your usage. Please mind that we had obtained that unofficially. In that letters it's stated that pretrial proceedings started following art. 191 part 5 of the Criminal Code -“Misappropriation, embezzlement or conversion or property by malversation” ,full text is attached for your information. Why the use this article and what they mean from formal point of you in unclear. My colleagues tell me that Ministry of Internal Affairs these days uses this article in most case to start any pretrial proceedings.**

What ultimately is their goal in attacking Burisma?

- **Using this article as it seen from the text in the inquires letters they want to receive all possible information with regard to licenses issued to “PARI” and “ESCO-PIVNICH” companies, with an aim to find/ make up reasons to revoke, cancel those licenses etc. and stop the business!**

Who is ultimately behind these attacks on the company?

- **That is Acting Minister of Internal Affairs - mr. Avakov and most probably his political bosses , Tymoshenko, Turchinov**

Who in the current interim government could put an end to such attacks?

- **Prime- Minister Yaceniuk or acting President Turchinov could “communicate a request to Acting Minister Avakov to stop that”**

!!! Important: Within the period of 2005-2008 during the times when the same political elite was in power, they tried to revoke licenses from the same 2 companies on a formal/technical grounds. Within that period "PARI" and "ESCO-PIVNICH" eventually in 2007 and 2008 were victories in all court instances including the highest ones and fully reinstated their licenses.

Those facts were described also and supported by an independent investigations made by Kroll company, the report is attached for your information, please see pages 11 and 12. Detailed summaries as to the respective court proceedings with regard to both companies are now being translated and I will send them to you tomorrow.

Best regards, Vadym

2014-05-12 15:51 GMT+03:00 Hunter Biden <[REDACTED]>:

Vadim-

I am with Devon in Doha. We will have a discussion with the Boies Schiller team ASAP. What are the formal (if any) accusations being made against Burisma and/or it's holding companies. What ultimately is their goal in attacking Burisma? Who is ultimately behind these attacks on the company? Who in the current interim government could put an end to such attacks? Thanks, Hunter

RHB
[REDACTED]

On May 12, 2014, at 3:29 PM, Vadim Pozharskyi <[REDACTED]> wrote:

Dear Hunter and Devon,

Following our talks during the visit to the Como Lake and our further discussions, I would like to bring the following situation to your attention.

As previously pointed out on a number of occasions, the representatives of new authorities in power tend to quite aggressively approach N. Z. unofficially with the aim to obtain cash from him. Initially, it was done by the representatives of Svoboda party and the Ministry of Internal Affairs. These so called unofficial "communications" would entail blackmailing: in case we don't cooperate i.e. provide money in cash the gaz production business of N.Z. would be stopped, destroyed etc...

It's important to note that Svoboda party is represented in the government by the General Prosecutor and by Minister of Ecology and Natural Resources Of Ukraine. The last organ together with the State Geological and Subsurface Survey of Ukraine, which is directly subordinated to the Ministry of Ecology and Natural Resources of Ukraine, are principal regulators in the area of issuing licenses for natural resources and control.

After unsuccessful attempts to receive funds from our side, they proceeded with concrete actions.

So far we got information (through unofficial channels) that one or more pretrial proceedings were

[REDACTED]

initiated by the Ministry of Internal Affairs with regard to Burisma Holdings companies that are heavily engaged in gas production and happen to be our Holdings' key companies.

The Ministry of Internal Affairs contacted the Ministry of Ecology and Natural Resources and the State Geological and Subsurface Survey of Ukraine to obtain all documents concerning licenses issued since 2006 until now to the companies of our Holding.

Apart from that, they would unofficially approach our partners, clients, suppliers trying to intimidate them to stop working with our companies.

These are typical instruments to destabilize business.

We urgently need your advice on how you could use your influence to convey a message / signal, etc. to stop what we consider to be politically motivated actions bearing in mind the following:

Burisma Holdings is a leader among private gas producers;

Our primary client is Accelor Mital- Ukraine's biggest metal steel plant. We cover more than 60% of its gas needs.

Our clients and their production are largely dependent on our work and our ability to perform our contractual obligations;

We employ hundreds of employees etc. and etc.;

Negative influence on our companies may result in multi-level negative social, economical and political consequences.

Please advise, looking forward for your reply,

Vadym Pozharskyi

CRIMINAL CODE OF UKRAINE

Article 191. Misappropriation, embezzlement or conversion or property by malversation

1. Misappropriation or embezzlement of somebody else's property by a person to whom it was entrusted, -

shall be punishable by a fine up to 50 tax-free minimum incomes, or correctional labor for a term up to two years, or restraint of liberty for a term up to four years, or imprisonment for a term up to four years, with or without the deprivation of the right to occupy certain positions or engage in certain activities for a term up to three years.

2. Misappropriation, embezzlement or conversion of property by malversation -

shall be punishable by restraint of liberty for a term up to five years, or imprisonment for the same term, with the deprivation of the right to occupy certain positions or engage in certain activities for a term up to three years.

3. Any such actions as provided for by paragraph 1 or 2 of this Article, if repeated or committed by a group of person upon their prior conspiracy, -

shall be punishable by restraint of liberty for a term of three to five years, or imprisonment for a term of three to eight years, with the deprivation of the right to occupy certain positions or engage in certain activities for a term up to three years.

4. Any such actions as provided for by paragraphs 1, 2 or 3 of this Article, if committed in respect of a gross amount, -

shall be punishable by imprisonment for a term of five to eight years, with the deprivation of the right to occupy certain positions or engage in certain activities for a term up to three years.

5. Any such actions as provided for by paragraphs 1, 2, 3 or 4 of this Article, if committed in respect of an especially gross amount, or by an organized group, -

shall be punishable by imprisonment for a term of seven to twelve years, with the deprivation of the right to occupy certain positions or engage in certain activities for a term up to three years and forfeiture of property.

CRIMINAL PROCEDURE CODE OF UKRAINE

Article 93. Recovery of court costs and lawyers' fees

Court costs are imposed on convicted persons, except amounts paid and to be paid to translators, or are covered at the expense of the State. Whenever a defendant is found guilty, the

court takes decision to recover from him/her court costs. If several defendants are found guilty, the court prescribes the amount of cost to be borne by each of them, taking into account the degree of guilt and property status of the convicts. If a defendant was found guilty but was released from punishment, the court may impose court costs on such a defendant.

When a case is dismissed based on conciliation between the victim and the accused in cases related to crimes referred to in paragraph 1 of Article 27 of the present Code, the court may impose court costs on either of them or on both of them. Court costs imposed on a person who is unable to bear them, as well as court costs related to translator's remuneration are covered at the expense of the State.

Fees of a defense counsel who was appointed in the case are covered at the expense of the State according to the procedure and in the amounts prescribed by the Cabinet of Ministers of Ukraine. In such a case, recovery of costs to the State may be imposed on the convict or persons who assume property responsibility for his/her actions upon request.

**МІНІСТЕРСТВО
ВНУТРІШНІХ СПРАВ
УКРАЇНИ**

Головне слідче управління

вул. Богдана Хмельницького, 15, м. Київ, 01024

www.mvs.gov.ua

07.05.2014 року

№ 13/2014

4429

№ 14

1028

Заступник Міністра екології та природних ресурсів України керівничий апарату

Настасенко О.Г.

05015, м. Київ

вул. Митрофанівська, 10/12, м. Київ, 01015

Шановний Олександр Григоравич!

Головним слідчим управлінням МВС України проводиться інтенсивне розслідування у кримінальному провадженні за № 12014000000000000000 за ознаками кримінального правопорушення, передбаченого ч. 3 ст. 191 КК України.

В ході досудового розслідування встановлено, що колишній Міністр екології та природних ресурсів Злочевський М.В. був ініціатором підписання - непрезидентів України, а саме Буризма Холдинг ПЛД, Еко-Бросет Investment ПЛД, Кіпр; Рібавест ПЛД, Кіпр.

В свою чергу, вказані підприємства-непрезиденти виходили в склад засновників підприємств, що здійснюють діяльність по видобутку корисних копалин та розробкою надр в Україні та мають відповідні ліцензії та дозволи, а саме ТОВ «Пар» (код 31037994), ТОВ «Еско-Північ», ТОВ «Перша українська газонафтова компанія» (код 360501661, ЗАТ «Видобувна компанія «Укрнафтабуріння» (код 33152471).

У зв'язку з викладеним, керуючись ст. 93 КПК України, прошу повідомити про усі дозволи, ліцензії та інші дозвільні документи, що були видані Міністерством вказаним компаніям з 2006 року по теперішній час, а також надати копії документів:

1. Документи (дозволи, ліцензії та інші дозвільних документів), що були видані вказаним підприємствам.
2. Копії документів, що надавались зазначеними підприємствами для отримання дозволів, ліцензій та інші дозвільних документів.

У зв'язку з тим, що розслідування у вказаному провадженні становить значний суспільний резонанс, а також те, що вказані у запиті документи необхідні для вчинення процесуальних дій в рамках міждержавної правової співпраці щодо повернення незаконно вивезених активів в Україну, прошу надати відповідь на вказаний запит до 08.05.2014.

З повагою
слідчий слідчої групи
ГСУ МВС України
майор міліції



Д.Г. Тербохин

**Ministry of Internal Affairs of Ukraine
Main Investigation Department**

*Bohomoltsa str. 10, Kyiv, 01024,
tel. [REDACTED] www.mvs.gov.ua
07/05/2014
№ 13/9/1-272*

To: The Head of the State Geological and Subsurface Survey of Ukraine Storozhev R. I.

*03680, Kyiv
Ezhena Potje Str., 16*

Dear Roman Ivanovych!

Main Investigation Department of the Ministry of Internal Affairs of Ukraine held a pre-trial investigation in a criminal proceedings № 12014000000000155, which constitutes a criminal offence under part 5, Art. 191 of the Criminal Code of Ukraine.

During the preliminary investigation it was found that the former Minister of Ecology and Natural Resources Zlochevskiy M. V, was a founder of non-resident companies of Ukraine, including Burisma Holdings Ltd, Cyprus, Brociti Investmentz Ltd, Cyprus, Ribavest Ltd, Cyprus.

In turn, the said non-resident companies affiliated with the founding companies involved in mining activities in Ukraine that hold proper licenses and permits, namely "Pari" (code 31037994), LLC, "Esko-Pivnich", LLC, "First Ukrainian Petroleum Company" (code 36050166), LLC, Mining Company "Ukrnaftaburinnya" JSC (code 33152471).

In connection with the above, on the basis of Art. 93 of the Criminal Procedure Code of Ukraine, I kindly ask you to inform of all permits, licenses and other consent documents issued by the Ministry to the aforementioned companies since 2006 till present time, and to provide copies of such documents:

1. Documents (Permits, licenses and other consent documents) that were issued to the previously mentioned companies.
2. Copies of the documents that were provided by the companies in order to obtain permits, licenses and other consent documents.

Due to the fact that the investigation in the said proceedings is a matter of great public concern and the fact that the documents stated in the inquiry are required for proceedings in the framework of the interstate judicial cooperation for the return of illegally exported assets to Ukraine, please provide a response to the given inquiry till May 8, 2014.

Yours faithfully,

**Investigator of the Investigative Group
Main Investigation Department of the MIA of Ukraine
Police officer Terehin D.H.**


[REDACTED]

[REDACTED]

Ministry of Internal Affairs of Ukraine

Main Investigation Department

Bohomoltsa str. 10, Kyiv, 01024,

 www.mvs.gov.ua

07/05/2014

№ 13/9/1-272

To: Deputy Minister of Ecology and Natural Resources of Ukraine - Chief of Staff
Nastasenko O. G.

03035, Kyiv

Metropolyta Vasylya Lypskoho str. 35

Dear Alexander Grygorovych!

Main Investigation Department of the Ministry of Internal Affairs of Ukraine held a pre-trial investigation in a criminal proceedings № 12014000000000155, which constitutes a criminal offence under part 5, Art. 191 of the Criminal Code of Ukraine.

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Yours faithfully,

Investigator of the Investigative Group
Main Investigation Department of the MIA of Ukraine



Police officer Terehin D.H.



**Project Latimer
Interim Report - Summary of Findings to Date**

Draft

03 August 2013

Private & Confidential

DRAFT

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1. INTRODUCTION AND METHODOLOGY

Burisma Holdings Ltd, the second largest independent gas producer in Ukraine, beneficially owned by Nikolay Vladislavovich Zlochevskiy, has instructed Kroll Associates UK Limited ("Kroll") to complete a comprehensive investigation which would produce a factual account of the key events in the evolution of its corporate structure, the way its subsidiaries acquired exploration and production licenses in Ukrainian gas fields empire, and deliver an assessment of whether there are any issues in relation to Mr Zlochevskiy's original capital accumulation.

We have understood that it was our duty as experts to provide an objective and factual account in relation to matters within our expertise, and that this duty is paramount and overrides any obligations to Burisma and Mr Zlochevskiy. At all times during our work we have complied with this duty. Our fees are neither dependent on the content of this work, nor on the outcome of the investigation. As a result, we consider ourselves to be independent of Burisma and Mr Zlochevskiy.

The goals of the investigation are to: (1) describe the early business dealings that created Mr Zlochevsky's wealth; (2) describe his exposure to Ukrainian politics(3) review the controversies identified in the public domain surrounding the way in which certain gas licenses were obtained.

We have been responsible for determining the documentation and information necessary to fulfil our brief. This work has involved interviews of a number of individuals – including Mr Zlochevskiy and business associates, managers partners – as well as the collection and analysis of documentation. At no time has Burisma place any limitations on our work, save for the availability of historical documentation available.

However, it needs to be noted that this project is still working in process, and this summary sets out the state of our knowledge to date, not final conclusions.

For the purposes of preparing this report, reliance has been placed upon the documents, representations, information and instructions provided to us. No audit or examination of the validity of the documentation, representations, information and instructions provided has been undertaken, except where it is expressly stated to have been. Kroll does not assume responsibility for the accuracy of the information obtained in this regard.

Kroll has applied its investigative knowledge to determine the veracity of the information obtained. The findings we have reached to date reflect our analysis of the facts presented to us and as a result of our own investigation. Statements herein concerning financial, regulatory or legal matters should be understood to be general observations based solely on Kroll's experience as risk consultants and may not be relied upon as financial, regulatory or legal advice, which Kroll is not authorised to provide.

This report has been prepared exclusively for the purposes of Burisma and Mr Zlochevskiy. The distribution of this report is limited to authorised recipients - Burisma and Mr Zlochevskiy. This report should not be used for any other purpose without our

prior written consent and, if it is used otherwise, neither Kroll nor its employees accepts any liability or responsibility for loss suffered by any party.

Our preliminary conclusions have been drawn from detailed research and analysis of documents obtained from the public domain and from the client, as well as interviews with individuals involved in the process. This process is ongoing.

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2. NIKOLAY ZLOCHEVSKIY

2.1 Background and origins of wealth

Nikolay Vladislavovich Zlochevskiy ("Zlochevskiy") was born on 14 June 1966 in Kiev. In 1983 he enrolled in the Kiev Higher Engineering and Radio Technology Military College, and subsequently joined the Soviet military. He spent three years in active service just as the Soviet bloc began to disintegrate, leaving in 1991 of his own accord to start a career in business. In June that year, at the age of 25, Zlochevskiy and a close friend from military college, Nikolay Lisin, registered their first commercial enterprise, TOV Infox.

Zlochevskiy came from a prominent Ukrainian family, and, according to a close associate Kroll interviewed, used some of his family's connections to a local bank manager to obtain seed financing for his initial commercial ventures.

Zlochevskiy and Lisin began their commercial activities by trading consumer goods on a small scale through Infox: audio and video equipment, clothes, and food products. At the time Ukraine faced huge shortages of basic goods, and huge demand from consumers who were able to access Western products for the first time.

For the next five years Zlochevskiy and Lisin accumulated capital through Infox, by exploiting deficiencies in the markets and their contacts within the former military-industrial complex. TOV Infox had diversified interests, ranging from port services to oil trading and metal exports. The company would act as an intermediary to facilitate trade between state-owned enterprises and customers in western or domestic markets. At this time, when access to hard currency financing was extremely limited, trading companies with cash and connections profited, while state owned enterprises lacked networks and funding.

There is little information about the early activities of TOV Infox available in the public domain, and Kroll's conversations with Zlochevskiy to illuminate this period are ongoing. A number of key early ventures are discussed below.

2.1.1 *Odessa ports and transport*

In 1991 Infox formed its first operating subsidiary, TOV Infox-Odessa, based in the port city of Odessa, Ukraine's second largest urban conglomerate. The port was the gateway through which much of the country's exports were routed: crude and refined oil products, coal and coking coal, iron ore and steel.

TOV Infox-Odessa was established as an intermediary to provide services to exporters such as freight forwarding, customs clearance, and warehousing services.

The profits from this business were invested in assets such as a decommissioned passenger ship and two military cargo planes. As the volumes of goods traded and transported by Infox increased, Zlochevskiy, Lisin, and their local partner Sergei Lagur decided to create their own transport company, ZAO UkrVtorResursyTransMetall (“UVRTM”). According to close associates of Zlochevskiy, this entity eventually ceased being part of the Infox group and was wholly taken over by Sergei Lagur. Lagur was an early business partner of Zlochevskiy and Lisin, who initially played a role in Infox group and who by the end of the 1990s had struck out on his own, taking with him Infox’s interests in the coal sector, which are discussed in more detail below.

2.1.2 Metal production

Metal production is the dominant manufacturing industry in Ukraine, and was a key element in the Soviet command economy. Industrial cities like Donetsk and single-factory towns dominated the landscape. As the economy collapsed, these factories came to rely on barter trade to survive, and intermediaries such as TOV Infox were an important element in the system. However, there was intense competition for control over these factories and their lucrative revenue streams.

TOV Infox traded with the Kramatorskiy and Makeevsky metal plants in the early 1990s and later formed a major business relationship with the Alchevsk plant in Lugansk. In 1995 TOV Infox acquired a shareholding in the Almaznyanskiy Metallurgical Plant, which was a sub-plant of Alchevsk. Zlochevskiy’s businesses supplied the plant with coking coal and in exchange received high-quality cast iron which was exported through Odessa’s ports to customers in Asia, the Middle East and southern Europe.

Trading entities at the time attempted to acquire the plants they were trading with, to secure a larger proportion of the margins. However, it appears that Zlochevskiy was unable to consolidate his position at the Almaznyanskiy Metallurgical Plant or in other plants in the face of competition from rival traders, most notably Rinat Akhmetov’s company ARS. Rinat Akhmetov is currently Ukraine’s most wealthy entrepreneur and his ISD Group now owns the Alchevsk plant.

Several media articles reference Zlochevskiy’s company Ukroptservis in connection to controversial events at Alchevsk: for instance a criminal case initiated in 2000 into former managers of the Alchevsk plant. One of those named was Vyacheslav Chuchminov, a former director of Ukroptservis. They were accused of embezzling UAH 4.1 million worth of blast furnace coke from Alchevsk in 1995. However, Zlochevskiy was not himself involved in any of the proceedings.

Chuchminov is currently running for the post of mayor in Alchevsk. It is in this context that negative media reports about his past have re-emerged, some of which refer to his relationship with Zlochevskiy.

The Almaznyanskiy plant eventually went bankrupt in 1999-2000, after Zlochevskiy ceased having an interest in it.

2.1.3 Oil trading – 1996 onwards

According to media, Infox began trading oil products around 1996. Infox became involved in the oil refining business after acquiring a significant stake in a company called OJSC Khersonnefteproduct that owned a large chain of petrol stations, a petroleum storage depot, and a transshipment terminal in Kherson on the Black Sea coast.

Infox also leased an oil processing unit at the Kremenchug oil refinery plant. Their partners in the Kremenchug business included the former head of the State committee on communications and informatics of Ukraine Oleg Yatsenko and a local politician in Poltava, Volodymyr Matitsin. This leasing contract was terminated very quickly - Infox was pushed out of the refinery by other businessmen who were better politically connected.

Zlochevskiy's businesses continued to be active in oil transshipment and infrastructure at another port, Ilichevsk, into the 2000s. TOV Infox was involved in the construction of a terminal at the port after acquiring a plot of land in the late 1990s. Zlochevskiy and Lisin partnered with the son-in-law of the then mayor of Ilichevsk, Valeriy Khmelnyuk, in the project, before exiting in 2008.

Kroll notes that by all accounts, Zlochevskiy was successful as a trader, but was unable to acquire any of the extractive assets he was trading with, which would have been the logical next step in a typical narrative of post-communist capital accumulation. Zlochevskiy himself explains that this was due his lack of political connections at the time.

2.2 Political career

In the late 1990s Zlochevskiy and Lisin entered national politics – first as prominent donors to a party, the SDPU, and later as members of parliament.

Zlochevskiy himself explained his eventual entry into politics in 2002 with the need to protect his business interests. Kroll notes that this nexus between political and business elite continues in Ukraine to this date, where state structures are much less autonomous from business interests than for instance their counterparts in neighboring Russia.

Zlochevskiy is currently a member of the National Defence Council, an unelected government position. He is not currently an elected member of parliament.

His political career is summarised in the table below and is discussed in more detail in the following section.

Election Date	Party	Position
March 2002 (MP from 14 May 2002 to 25 May 2006)	SDPU	MP
16 December 2003 to 22 February 2005	SDPU	Head of the State Committee of Natural Resources of Ukraine
25 May 2006 to 28	Party of the	MP

Election Date	Party	Position
October 2012	Regions	
24 March 2010 to 2 July 2010	Party of the Regions	Head of the State Material Reserve Committee
2 July 2010 to 20 April 2012	Party of the Regions	Minister for Environmental Protection
20 April 2012 to current	Party of the Regions	Deputy Secretary of the National Defence and Security Council

As a member of the Ukrainian parliament and later as a Government Minister, Zlochevskiy was expected to relinquish direct management of his businesses. In practice, MPs rarely disposed of their assets, preferring to place them in trust or with family members, and this state of affairs continues to this day.

2.2.1 First period in government

SPDU

Zlochevskiy joined the Social Democratic Party of Ukraine ("SDPU") in 1997. He was amongst the party's financial supporters until 2002, when he was selected as a parliamentary candidate. At that time, candidates for the Ukrainian parliament or Rada were elected according to party lists, although a small number of constituencies returned directly elected candidates.¹

Media reports suggest that Zlochevskiy and Lisin were not initially elected, ranking at 19 and 20 on the SDPU list. However, the party subsequently joined the government coalition, and two members were promoted to the cabinet. Government Ministers in Ukraine must vacate their seats in the Rada. Zlochevskiy and Lisin filled these vacant positions.

Vodokanal deal

In September 2003 companies associated with Zlochevskiy, including TOV Infox, won approval to acquire a lease over the municipal water utility in Odessa. The utility was loss-making and had no resources to invest in upgrading Soviet-era infrastructure, and a deal was initiated by the local authorities to attract private finance.

The deal was completed on 17 December 2003 when the Odessa city administration passed decision №2038-XXIV to lease the utility to a consortium led by TOV Infox for 49 years.

The deal was reported in the Ukrainian press, sometimes in a negative light because of Zlochevskiy and Lisin's high profiles as MPs at that time. However, our investigation has not uncovered any evidence to date that the deal was corrupt or structured illegally. TOV Infox continues to operate the utility to this date.

¹ In the 2002 election, half of the members of the Rada were elected based on a proportional representation electoral system. Under this system, if a party obtained 20% of the vote, it would be entitled to fill 20% of the Rada's seats with its candidates. Prospective parliamentarians were placed on a party list, and if a party had the right to have 20 parliamentarians, the first 20 names on the party list would enter the Rada.

State Committee of Natural Resources

In 2002 Zlochevskiy, through Infox, acquired controlling interests in two companies, TOV Esko-Pivnich and TOV Pari, which were established as gas exploration and production companies. These companies did not hold licenses at that point.

Zlochevskiy quickly became frustrated by the slow pace of development and red tape that had stifled investment in the sector and began to lobby the presidential administration for reform.

On 16 December 2003 Zlochevskiy was appointed the first Head of the State Committee of Natural Resources of Ukraine ("the Committee") by a presidential decree. The newly formed committee had been created by a Cabinet of Ministers (CabMin) decree in October 2003. The Committee's primary function was to oversee the administration of subsoil licenses, and to address the perceived failures by the Ministry of Ecology and Natural Resources in attracting private investment into the sector. At the time state owned companies owned all subsoil licenses, but often exploited them through joint ventures or joint projects with private investors under production sharing agreements.

A chronic lack of investment by the state left the country over-reliant on imported gas. Reforms to the licensing process could stimulate growth by attracting investment from the private sector and at the same time create a significant new revenue stream for the government.

The committee operated within a complex legal framework. Although it had responsibility for the award of the licenses, the decision on the issuing of licenses rested with another body, the inter-departmental Commission, which had existed prior to the formation of the Committee. The Commission was headed by the First Vice Prime Minister of Ukraine and included senior members of a number of government ministries, such as the Fuel and Energy Ministry and Ministry of Ecology and Natural Resources. It was the Commission, and not the Committee, that was ultimately responsible for approving licenses. The Committee was then instructed to issue the licenses.

Legislation governing the award of licenses was complex. Generally speaking, each year's budgetary legislation would include provisions on how licenses ought to be distributed that specific year, and would mandate the Cabinet of Minister to issue the necessary implementing decrees. In January 2004, unlike in previous years, the budget included the possibility for licenses to be awarded through an auction process. However, very few licenses were awarded through auctions in that period.

Auctions were popular with the public, as they were perceived to be the fairest way to award licenses. Zlochevskiy was publicly opposed to the auction process – according to him it failed to take in to account financial investments which some private companies had already committed into certain fields, which they had jointly operated with state own entities.

After six months of negotiations, a compromise was agreed as a result of which the Committee set out the rules for running competitive auctions for licenses, and the

exceptions under which special licenses could be granted without an auction. As a result, private companies which had already invested in projects could be awarded licenses without competitive auctions. Over 500 licenses were issued from July to December 2004 under these exception rules, which were further amended in December 2004. TOV Esko-Pivnich and TOV Pari were both awarded licenses under these conditions without competitive tenders – and this was in line with the acting legislative framework at the time.

2.2.2 Investigations into the award of licenses

The Committee issued over 500 licenses in the last six months of 2004, over a 100 of which were issued during the Orange Revolution the period between the first and second round of the presidential elections in December 2004 and January 2005. Almost all of these 500 licenses were granted without competitive auctions. As a result, some opposition politicians, as well as the media, have criticised both the timing and the manner in which licenses were issued. This controversy is discussed in more detail below.

After the Orange Revolution and the election of Viktor Yushchenko in January 2005 as president, Zlochevskiy was replaced as Head of the Committee, one of a raft of ministerial and governmental changes. The new government, headed by Prime Minister Yulia Tymoshenko commenced investigations into the activities of their predecessors, including the award of subsoil licenses.

The Committee was subsequently dissolved and the function of issuing licenses was transferred back to the Ministry of Ecology, now headed by Pavel Ignatenko. Ignatenko created a special investigative commission, headed by his deputy minister Stepan Lyzun, to review the permits and licenses issued by the Committee in 2004.

On 1 February 2006 the Minister of Internal Affairs, Yuriy Lutsenko, stated that evidence regarding the investigation into the Natural Resources Committee had been transferred from the police to the General Prosecutor's Office ("GPO"). Lutsenko also went on record stating that as a result of Zlochevskiy's activities the state budget had lost revenues of at least UAH 220 million.² A decree was issued cancelling all of the licenses issued by the Committee under Zlochevskiy, including licenses that had been granted to Zlochevskiy's companies TOV Esko-Pivnich and TOV Pari. A license for the Sakhalinsk area, which Zlochevskiy had acquired with business partners, was also cancelled.

The investigation was covered extensively in the Ukrainian media, which quoted individuals who claimed that the process had been deliberately manipulated by the former regime. Several former managers at state-controlled companies alleged that their budgets had been cut so that they could not compete with their private partners in acquiring and maintaining subsoil licenses. These allegations were directed in some instances at companies linked to Zlochevskiy, although the most controversial cases related to other private investors such as Regal Petroleum and JKX.

²*Obozrevatel*; 22.03.2006

For example, an anonymous senior manager of state owned company Nadra Ukrainy explained the way in which a state company might lose a license: a team from the Committee would visit the field, find the state of development “unsatisfactory” and would recommend measures that included attracting outside investors. The Committee would then take a decision to transfer the license or set up a joint venture. Nadra Ukrainy was unable to develop these fields on its own in no small part because the Committee had previously cut their budget.

Esko-Pivnich and Pari appealed against the confiscation of their licenses, culminating in a decision by the High Commercial Court of Ukraine in May 2008 in their favour. The decree cancelling their licenses was ruled unlawful. The GPO investigations did not result in any charges against Zlochevskiy.

No licenses were ultimately withdrawn from Zlochevskiy owned companies as a result of these legal challenges.

Our preliminary analysis indicates that Zlochevskiy was not in a position to unilaterally award his companies licenses. However, he was an insider and benefited from his political clout during this period. It is, however, important to note that a) the gas sector in Ukraine is still dominated by state owned companies and that b) private gas companies which accumulated gas assets in the beginning of the 2000s were generally all linked to entrepreneurs who also played a prominent role in politics.

In 2011 private companies produced 2.026bcm of gas; the leading private producers were Naftogazvydobuvannya (38%); Poltava petroleum Company (20%); Pryrodnye resursy – 12%; Esko-Pivnich – 8%; the remaining 22% was produced by smaller gas companies.

Naftogazvydobuvannya (NGV), the largest private gas producer in Ukraine, was founded in 2003 by entities linked to Mykola Rudkovsky and Nestor Shufrich – both individuals who held high political office at different points in time. For instance, Shufrich was first elected member of the Rada in 1998 and has held a variety of political posts since then. He is currently a member of Ukraine’s national defense council.

Other smaller private gas companies follow the same pattern.

2.2.3 Sakhalinsk controversy

The events around the Sakhalinsk field have been widely commented on in the Ukrainian media, and are therefore discussed in detail below.

The Sakhalinsk field in Kharkiv region is the largest gas deposit in Ukraine.

It was discovered in 1981 and is estimated to hold about 15bn cbm of natural gas and 1.7m tons of oil. The asset has been the subject of repeated battles for control between rival groups, but as of now it appears that Zlochevskiy and Igor Kolomoisky have secured control.

Initial JV - PNG and ZAO Devon

In the 1990s state owned Poltavaneftgazgeologiya (PNG), a subsidiary of Nadra Ukrainy, was given permission to explore the field. In 2000 PNG signed a JV agreement to develop the field with ZAO Devon, a JV set up by (part private part state owned) Ukrnaft and PGNIG, the Polish oil company.

This JV brought together competing Ukrainian interests in what proved to be an uneasy alliance:

- 1) On the one hand you had interests close to the Ministry of Natural Resources, which in 2002 organise its gas assets under Nadra Ukrainy. PNG was one of its subsidiaries.
- 2) On the other hand there were the interests of Ukrainian Ministry of Fuel and Energy, which controlled another state owned company, Naftogaz Ukrainy. In turn, Naftogaz Ukrainy owned 50% of Ukrnaft, a company in which Kolomoisky's Privat Group had a 40% stake. And as outlined above, Ukrnaft was in turn a shareholder in ZAO Devon.

PNG and ZAO Devon entered into the JV – but the field has been contested ever since and Kroll's enquiries into the background of this dispute are ongoing.

PNG loses license, awarded to ZAT Ukrneftbureniye

On 1 September 2004, the Committee unexpectedly annulled PNG's operating license, provoking a major corporate conflict between the various parties. On 29 December 2004 the Committee issued a license for the field to a newly incorporated company ZAT Ukrneftbureniye which represented Zlochevskiy's and other interests. Kolomoisky also had an interest in the new holding alongside JKX, which had 10%. Zlochevskiy told us in interview that majority stakes in ZAT Ukrneftbureniye belonged to other powerful individuals, whose identity has not been yet disclosed to Kroll.

Zlochevskiy has since 2004 been criticized in the press for having been in charge of the committee at the time when the decision to award the license to a company, ZAT Ukrneftbureniye, in which he had a stake in.

Orange revolution- license restored to PNG's parent Nadra Ukrainy

After the Orange revolution at the end of 2004, ZAT Ukrneftbureniye's license was revoked and the license was restored to PNG's parent Nadra Ukrainy. ZAO Devon and related entities took legal action against PNG, which had abandoned their JV relationship. After a series of high-profile law suits and political interventions, in July 2007, a new agreement was struck between Nadra Ukrainy and Ukrnafta, the two competing state owned companies.

Nadra Ukrainy and Zlochevskiy's ZAT Ukrneftbureniye enter into an alliance

However, in September 2007 Nadra Ukrainy transferred their license to a new company, TOV Kompaniya Geolsoyuz, set up together with Zlochevskiy. However, Zlochevskiy explained to Kroll in interview that by the time the license was temporarily awarded to Geolsoyuz, he had already exited this entity and this was an attempt by former business partners of his to also obtain a stake in the Sakhalinsk field.

However, Zlochevskiy managed to forge an alliance with Nadra Ukrainy that year, and in 2007 regained control over the field. Nadra was now managed by Eduard Stavtysky, and the two men came to an understanding. ZAT Ukrneftbureniye applied again for the license, and the press has commented that this application was supported by Nadra Ukrainy.

Tymoshenko decrees against ZAT Ukrneftbureniye

This application was approved but in her last act in office, Yulia Tymoshenko intervened and issued a decree giving Naftogaz Ukrainy the field.

Tymoshenko left office on 4 March 2010, and in July 2010 this decree was annulled.

Current status - ZAT Ukrneftbureniye in charge

Despite renewed litigation by other parties, ZAT Ukrneftbureniye appears to now have control over this asset. The current shareholders of ZAT Ukrneftbureniye include Deripon Commercial Ltd (45%), a Cyprus company in which holding structures of Zlochevskiy hold 40%. Zlochevskiy told Kroll in interview that he currently holds only a very small share in ZAT Ukrneftbureniye, and that he is in the process of disposing of this asset.

2.2.4 Second period in government

From 2006 to 2010 Zlochevskiy continued to serve as a member of the Rada, the Ukrainian parliament, where he was involved in a number of committees and proposed various amendments to legislation. He was also actively involved in developing his E&P businesses. Several of his projects received licenses during this period.

In February 2010, Viktor Yanukovich replaced Viktor Yushchenko as president defeating Yulia Tymoshenko in the second round of the presidential elections. The Party of the Region's Nikolay Azarov was elected Prime Minister the following month and in turn appointed a new government that included Zlochevskiy as head of the State Material Reserve Committee, a body which administered government stocks of various key commodities to mitigate shortages.

Zlochevskiy only spent four months as head of the state material reserve before, on 2 July 2010, he was appointed Minister for Environmental Protection, a position he held until December 2012 (from December 2010 as Minister of the combined Ministry for Ecology and Natural Resources). His widened brief saw him actively involved in environmental issues, as well as attracting foreign multinationals to Ukraine. His profile in the media increased accordingly. Tymoshenko criticised his appointment, but our research found no significant scandals or reputational issues that emerged during this period, with the exception of the perceived conflict of interest around his E&P businesses.

Zlochevskiy's tenure saw changes to the mechanisms pertaining to the award of licenses. Under the Orange regime, the authority to issue licenses had been transferred to the Ministry of Natural Resources, and the interdepartmental commission reported into the

ministry, rather than into the Committee on Natural Resources, which had been abolished. When Zlochevskiy became minister in July 2010, this state of affairs continued until June 2011, when the responsibility for issuing licenses was transferred to the State Service on Geology and Natural Resources, then headed by Eduard Stavytsky. The Interdepartmental Commission started to report into this body. During this period Zlochevskiy's companies successfully applied for new licenses and renewals of existing licenses. Our investigation did not identify any cases where the licensing regulations and legislation had been breached in the award of licenses to Zlochevskiy's companies.

On 20 April 2012 Zlochevskiy was removed from the position of the Minister for Environment and appointed deputy secretary of the National Defence and Security Council, a body which advises the president on security issues and usually composed of experienced politicians. At the time of Zlochevskiy's appointment the council was headed by the former vice prime minister (2010-2012) Andrey Kluyev.

2.3 Burisma Holdings

Zlochevskiy's current business operations are essentially focused on gas exploration and production. The trading activities of Infox have to a great extent ceased – currently Infox mainly acts as a holding company for the Odessa water utility. Until his death, which is discussed below, Lisin concentrated on the water utility business.

Burisma Holdings is the second largest independent gas exploration and production (“E&P”) company operating in Ukraine. Burisma is an attempt by Zlochevskiy to consolidate his various E&P assets into a unified holding structure – this process is still on-going – and not all assets have been consolidated.

The company currently operates 23 production and exploration licenses. Zlochevskiy also has investments in a number of other assets that have not been consolidated into Burisma.

2.3.1 Origins of E&P Business

Zlochevskiy's interests in the E&P sector can be traced back to two investments completed in 2002, when TOV Infox acquired controlling stakes in two E&P companies, TOV Esko-Pivnich and TOV Pari, from their founder shareholders. These two companies currently hold licenses to exploit gas and oil deposits at eight fields, and a further 15 licenses to explore areas for potential production.

Esko-Pivnich

On 27 March 2002 Infox became the 80% shareholder of Esko-Pivnich, an oil and gas exploration and production company formed two years previously. Esko-Pivnich had a joint venture to exploit the Karaykozovskoe field together with state-controlled companies Nadra Ukrainy and Poltavaneftgazgeologiya.

At the time of the transaction Esko-Pivnich and Poltavaneftgazgeologiya were in dispute over the financing of the activities, and development work ceased after the license lapsed. Esko-Pivnich was subsequently issued with a new development license while Zlochevskiy was Head of the Committee that awarded licenses. In the same period in late 2004, Esko-Pivnich also received licenses for the Rakytnyanskoe Field and Roganskaya Area.

Esko-Pivnich is currently 100% owned by Burisma Holdings (Cyprus) Ltd and holds licenses for two production fields and five exploration areas.

Pary

In May 2002, Infox acquired control of TOV Pary from its founding shareholders. At the time, the company did not have any licenses. In 2004 Pary was awarded a series of licenses for three production fields and two exploration areas (Peremyshlyanskaya Area, Chukvinskaya Area, Pilipovskoe Field, Sheremetyevskoe Field and Niklovitskoe Field). The company's licenses were cancelled by a governmental decree following the change in regime in 2005. However, the company mounted a successful appeal and overturned the decree in the Ukrainian courts. Since then the company has added a further two production licenses to its portfolio.

2.3.2 SEYR

In October 2004 Zlochevskiy entered into a series of transactions with the objective of attracting further investment into his E&P assets.

In the first stage, ownership of the assets was transferred to a group of offshore holding companies. These companies then transferred their shares in Esko-Pivnich (and later Pary) to Sunrise Energy Resources Inc ("SEYR"), a shell company traded on the OTC markets in the United States. It was expected at the time that the reverse takeover would enable this company to attract investment from international investors, replicating a strategy seen at JKX Oil & Gas and other publicly listed competitors that had entered the Ukrainian gas market at this time. The listing was abandoned after it failed to secure any significant funding, and the assets were taken private by Burisma Holdings in 2009.

The manner in which the assets were first reversed into SEYR and then subsequently transferred to Burisma Holdings have not been discussed to any extent in the Ukrainian media. Our research identified that the latter transaction may represent a potential reputational concern to institutional investors. A dormant company incorporated in the UK, Millington Solutions Limited, extended USD 4 million of financing to SEYR without disclosing any transactions in its filed accounts; the company then recalled the financing and following an AGM was granted ownership of the shares in Esko-Pivnich and Pary in settlement of the debt. Millington Solutions Limited was struck off the register a month later for failing to file up-to-date accounts. Kroll's analysis of this transaction is ongoing.

2.3.3 Consolidation of E&P assets by Burisma

Burisma Holdings was formed in October 2006 as a new holding company for Zlochevskiy's E&P assets. At the time he had a number of co-investments with different

business partners. The long term strategy is to incorporate all of these disparate entities under a single corporate brand, Burisma.

On 28 July 2009, Burisma Holdings became the 100% shareholder of both Esko-Pivnich and Pary. In September 2010 the Ukrainian Anti-Monopoly Committee fined Burisma UAH 20,000 for consolidating shares in Esko-Pivnich and Pary without its permission, but the consolidation itself was allowed.

Burisma has since consolidated Zlochevskiy's holdings in four other E&P companies: TOV Naftogaz Garant, TOV KrymTopEnergoServis and TOV First Ukrainian Gas-Oil Company.

2.4 Interim conclusions

2.4.1 Status as a Politically Exposed Person

Zlochevskiy is currently listed in various compliance databases such as Worldcheck as a Politically Exposed Person. This categorisation is based on his 10 years of service in the Ukrainian parliament or Rada, roles in two government administrations and current position as a member of the National Defense Council.

2.4.2 Death of Lisin

Zlochevskiy's business partner died in a car accident in 2011. He is reported to have driven while intoxicated and crashed at high speed, killing himself instantly. There was no suggestion of foul play.

Following his death, Lisin's beneficiaries chose to exit their joint business structures, and Zlochevskiy bought them out. However, at that time Lisin was not recorded as a beneficiary of any of the E&P assets. Lisin's family appear to be happy with the settlement provided.

2.4.3 Conflict of Interest

Our investigation to date has focused on the perceived conflict of interest between Zlochevskiy's governmental position as Head of the Committee on Natural Resources and his ownership of companies that received E&P licenses.

The conflict of interest has been highlighted by Zlochevskiy's opponents, including Yulia Tymoshenko, and was one of the areas investigated by a government commission following his dismissal in 2005.

At this point in the project our research and analysis, including of documents provided to us by Zlochevskiy and/or available in the public domain, information reviewed provides no evidence that suggests that the licenses were granted illegally, and the Ukrainian courts did not uphold any challenges to the licenses.

Zlochevskiy's companies received a total of 7 licenses out of over 500 that were issued during this period. In the broader context of the Ukrainian gas market and the blurred lines that exist between officialdom and private business, this number is significantly less compared to some of his contemporaries.

Our preliminary conclusions have been drawn from detailed research and analysis of documents obtained from the public domain and from the client, as well as interviews with individuals involved in the process. This process is ongoing and should not be considered complete.

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