

EXHIBIT 46

ПОСТАНОВА
про порушення кримінальної справи

30 травня 2000 року

м.Київ

Генеральний прокурор України державний радник юстиції України
Потебенько О.М., розглянувши матеріали кримінальної справи №64-4453, -

ВСТАНОВИВ:

3 листопада 1996 року в аеропорту міста Донецька озброєні особи з застосуванням вогнепальної зброї вбили народного депутата України Щербаня Є.О., його дружину Нікітіну Н.М., а також працівників авіаційного підприємства Гапчича А.М. і Шеїна В.В. В той же день Донбаською транспортною прокуратурою порушено кримінальну справу про це вбивство за ознаками злочину, передбаченого п.«г» ст.93 КК України, яку надалі прийнято до свого провадження Генеральною прокуратурою України.

В даний час розслідуванням вказаної кримінальної справи №64-4453 встановлено, що вбивство Щербаня Є.О. і інших осіб вчинено Зангілді Г.Ф. і Болотських В.О. за попереднім зговором в групі з Кушніром Є.Б., Рябіним А.А. та іншими особами.

Показаннями свідків та іншими матеріалами справи встановлені достатні дані, які вказують на те, що вбивство Щербаня Є.О. вчинене на замовлення Лазаренка П.І., який на час злочину займав посаду Прем'єр-міністра України і є народним депутатом України, а також на те, що Лазаренко П.І. у 1997 році замовив вбити першого заступника голови Державного комітету України з нафтової, газової і нафтопереробної промисловості Бакая І.М. та помічника Президента України Волкова О.М. організованій злочинній групі, очолюваній Кушніром Є.Б., учасники якої за попереднім зговором готували ці злочини.

Приймаючи до уваги достатні дані, виявлені слідством, які вказують на наявність ознак злочинів, передбачених ч.4 ст.19 і п.«а» ст.93 (в редакції Закону України від 6.03.1992 р.), ч.4 ст.19, ч.1 ст.17 та п.п.«а», «г», «з», «и», «і» ст.93 (в редакції Закону України від 2 жовтня 1996 року) КК України, керуючись ст.ст.94, 97, 98, 130, 227, 26 КПК України, -

ПОСТАНОВИВ:

1. Порушити кримінальну справу за ознаками злочину, передбаченого ч.4 ст.19 і п.«а» ст.93 (в редакції Закону України від 6.03.1992 р.), ч.4 ст.19, ч.1 ст.17 і п.п.«а», «г», «з», «и», «і» ст.93 (в редакції Закону України від 2 жовтня 1996 року) КК України, відносно Лазаренка Павла Івановича щодо організації умисного вбивства з корисливих мотивів Щербаня Є.О. та організації готування до умисного, з корисливих мотивів, вбивства на замовлення організованою групою осіб, які раніше вчинили умисне вбивство, Бакая І.М. і Волкова О.М.

2. Порушену кримінальну справу об'єднати в одне провадження з кримінальною справою №64-4453.

Генеральний прокурор України

державний радник юстиції України

М.О.Потебенько
М.О.Потебенько

Kyiv

May 30, 2000

DECISION
on opening of a criminal case

Prosecutor General of Ukraine, Federal Judiciary Counsellor of Ukraine O.M. Potebenko, having examined all the evidence in the case No.64-4453, established that on Nov. 3, 1996 at the Donetsk City Airport several individuals, using firearms, killed national deputy Ye.O. Shcherban, his wife N.M. Nikitin and employees of an aviation enterprise A.M.Hapchych and V.V.Shein.

The very same day Donbas Transport prosecutor opened a criminal case regarding this murder in accordance with P(aragraph) "h" sec. 93 of the Penal Code of Ukraine. This case was then continued by Prosecutor General of Ukraine.

Current investigation of the criminal case No. 64-4453 established that the killing of Ye.O.Shcherban and other persons was carried out by H.F.Zanhilidi and V.O.Bolotskykh in conspiracy with a group including Ye. B.Kushnir, A.A. Ryabin and others.

Deposition of witnesses and other evidence in the case give sufficient data indicating that the murder of Ye.O.Shcherban was perpetrated by order of P.I.Lazarenko who at the time held the position of Prime Minister of Ukraine and is the nation's deputy. The data also indicate that in 1997 P.I.Lazarenko ordered the killing of I.M.Bakay, Deputy Chairman of the State Committee on Oil and Gas Industries, and O.M. Volkov, assistant to the president of Ukraine. The order was given to the organized criminal group led by Ye.B.Kushnir, whose members were preparing these crimes.

Taking into account sufficient data revealed by the investigation, indicating the presence of criminal activity, and prohibited in ch.4 sec.19 and p."a" sec.93 (enacted 3/6/1992), ch.4 sec.19, p.1 sec.17 and pp.a,h,z,y,i sec.93 (enacted Oct.2, 1996) of Penal Code of Ukraine.

Guided by sec. 94,97, 98, 130,227, 26 CPC of Ukraine it has been decided to !. open a criminal case in accordance with Ch.4 sec.19 and p."a" sec.93 (enacted 3/6/1992), ch.4 sec. 19, Ch.1 sec.17 pp.a,h,z,y,I sec.93 (enacted Oct.2,1996) PC of Ukraine, against Pavlo Ivanovich Lazarenko charging him with organizing homicide of Ye.O. Shcherban for mercenary motives and with organizing preparation of murder for hire by
(cont.on next p.)

-2-

organized group of individuals who previously killed I.M. Bakay and O.M.Volkov. 2. To consolidate newly opened case with the criminal case No.64-4453

Prosecutor General of Ukraine
Federal Judicial Counsellor

(Signature) M.O.Potebenko



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Ukrainian prosecutor charges ex-prime minister with ordering contract killings

June 2, 2000
Web posted at: 2:12 PM EDT (1812 GMT)

KIEV, Ukraine (AP) -- The top prosecutor's office in Ukraine has charged former Prime Minister Pavlo Lazarenko with arranging at least three contract killings, an official said Friday.



Lazarenko in Kiev, in May 1997

The charge is the latest in an avalanche of criminal accusations against Lazarenko, who fled to the United States in February 1999 and requested political asylum. However, U.S. and Swiss authorities have charged Lazarenko with money-laundering.

Mykola Obykhod, the deputy chief prosecutor, said a criminal case against Lazarenko had been opened Tuesday and that he was charged with ordering the killing of prominent Ukrainian legislator Yevhen Shcherban in 1996.

Shcherban, reportedly one of Ukraine's wealthiest businessmen, was gunned down in the eastern coal city of Donetsk, along with his wife.

Obykhod refused to specify how much had been paid for Shcherban's killing, saying only that Lazarenko had allegedly wanted to get rid of a competitor and that people close to him had allegedly transferred money to the killers.

He said Lazarenko had also plotted the assassinations of two high-ranking Ukrainian government officials, but refused to disclose their names. Both plots failed, Obykhod said.

A group of 20 assassins was involved in the schemes and was responsible for at least eight other slaying cases, in which about 20 people were killed, Obykhod said. Prosecutors recently reported that they had arrested a former commando who had actually shot Shcherban.

Most of the killers -- citizens of Ukraine, Russia and other countries -- have since been eliminated in order to silence them, as were intermediaries who

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helped arrange the contract slayings, Obykhod said.

Lazarenko, who served as prime minister in 1996-97 under President Leonid Kuchma, has been accused of stealing millions of dollars from his own government in Ukraine's most notorious corruption scandal. But he claimed he was a victim of political persecution by Kuchma and his allies.

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Ukraine has asked the United States to extradite Lazarenko, who is now in police custody, though the two countries have no extradition treaty. The Swiss also want to put Lazarenko on trial.

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Information on the homicide of people's deputy of Ukraine Y.Shcherban and the financing of this crime



Order and commission of the murder of people's deputy of Ukraine Y.O. Shcherban in November 1996

Case 1:11-cv-07877-PAC Document 25-17 Filed 10/26/12 Page 8 of 101



Transfer of money from controlled offshore companies from 19.04.96

Corporate Manager of Corporation "United Energy Systems of Ukraine" Y.V. Tymoshenko



Advisor to P.I. Lazarenko – P.M. Kyrychenko

Management of accounts



Prime-Minister of Ukraine P.I. Lazarenko

Instruction about murder payment



Bank accounts of P.I. Lazarenko managed by P.M. Kyrychenko

Money transfer in May and September 1997

Order of a murder (Summer 1996)



Gang Organizers
O.F. Milchenko (died on 22.11.97) – crime boss and connection of P.M. Kyrychenko and P.I. Lazarenko
M.U. Aliyev
Y.H. Kushnir (died on 02.05.98)
A.A. Riabin (killed on 31.10.97)

Members of the gang
V.O. Bolotskykh (convicted)
H.F. Zanhelidi (killed in summer 1997)
V.B. Pushniakov (killed on 26.06.98)
V.V. Polezhai (wanted)
S.P. Denisov (convicted)
A.M. Akulov (killed on 28.03.98)
I.O. Filipenko (killed on 22.09.98)
V.I. Volkov (killed on 31.10.97)
M.O. Briukhin (wanted)
M.O. Lobkov (wanted)
S.V. Ilchenko (wanted)

Mechanism of commission of murder



A.N. Hapchych – aircraft mechanic, killed on the spot 03.11.96

Killers:
 V.O. Bolotskykh
 H.F. Zanhelidi
Driver:
 V.B. Pushniakov



People's deputy of Ukraine **Y.O. Shcherban** killed on the spot on 03.11.96



Victims:
N.N. Nikitina – wife of Y.O. Shcherban (died in ambulance on 03.11.96)
V.V. Sheyin – flight mechanic (died in hospital on 06.11.96)
A.A. Radchenko - customs inspector (wounded)

Airport
 Observer in the airport: **V.V. Polezhai**



The car was burned at the airport after the murder

Retreat of criminals after commission of murders

Driver: A.M. Akulov



Driver: I.O. Filipenko



Driver: S.P. Denisov



INFORMATION on the criminal case on Y. Shcherban homicide

Donbas Transport Prosecutor's Office on 03.11.1996 initiated the criminal case according to the fact of homicide in the airport of Donetsk city on 03.11.1996 of people's deputy of Ukraine Y.Shcherban, his wife and two airport officers; the customs officer was also injured according to the elements of crime, envisaged in p. "r" of Article 93 of the Criminal Code of Ukraine.

It was established that the homicide of Y.Shcherban and others was committed by V. Bolotskykh and G.Zangelidi upon prior conspiracy together with Y.Kushnir, A.Riabin, and other persons on request of P.Lazarenko.

The Court of Appeal of Luhansk region by its Sentence dated 16.04.2003 convicted the direct perpetrator of crime V.Bolotskykh to life imprisonment for the homicide of Shcherban.

All executors of the homicide of Shcherban, except for one of them, have been identified. The majority of organizers and members of the criminal gang who organized and committed the mentioned homicide were liquidated: O.Milchenko (died unexpectedly on 22.11.97), Y.Kushnir (died unexpectedly 02.05.98), A.Riabin (was killed on 31.10.97), H. Zanelidi (was killed in summer of 1997) , V.Pushniakov (was killed on 26.06.98), A.Akulov (was killed on 28.08.98), I.Filipenko (was killed on 22.09.98), V.Volkov (was killed on 31.10.97). The criminal case against contractors was allocated as a separate proceeding, and on 30.05.2000, the criminal case against the ex-Prime Minister of Ukraine P.Lazarenko was initiated according to the elements of crimes envisaged in sec.4 of Art.19, p. "a" of Art.93 of the Criminal Code of Ukraine, of 1960, for organization of Y.Shcherban homicide.

The criminal case against contractors was allocated as a separate criminal proceeding and on 30.05.2000 a criminal case against the ex-Prime Minister of Ukraine P.Lazarenko was initiated according to the elements of crimes, envisaged in sec.4 of Art.19, p. "a" of Art.93 of the Criminal Code of Ukraine , of 1960, for organization of homicide of Y.Shcherban.

The pretrial investigation in this case is still in progress.



In the course of investigation of the criminal case a version of possible involvement of Y.Tymoshenko in financing the homicide of people's deputy of Ukraine Y.Shcherban the order of which is incriminated to P.Lazarenko is being verified. At present, there are the proofs gathered in the case which witness that monetary funds for payment of that crime were transferred from the accounts controlled by P.Lazarenko and the accounts which received money from foreign companies controlled by Y.Tymoshenko.

During a video interview of Petro Kyrychenko on 18.11.2011 and 03.12.2011 by investigators of the Security Service of Ukraine he stated that P.Lazarenko, being the First Vice Prime Minister of Ukraine and then Prime Minister of Ukraine assisted Y.Tymoshenko in her business interests. Tymoshenko in return transferred personally to Lazarenko 50% of money which the company UESU earned from sale and purchase of gas. In particular, these funds arrived to the accounts of Lazarenko (which were controlled by him – Kyrychenko) from the accounts of the company Somoli Enterprise Limited which was fully controlled by Tymoshenko. **95% of all money which Lazarenko earned or received, was the money of Tymoshenko.** Kyrychenko strongly states that money which was further transferred to Milchenko, Kushnir, Snitko (accomplices of Shcherban homicide and their relatives) was transferred to the accounts of Lazarenko (controlled by Kyrychenko) from the accounts of Tymoshenko.

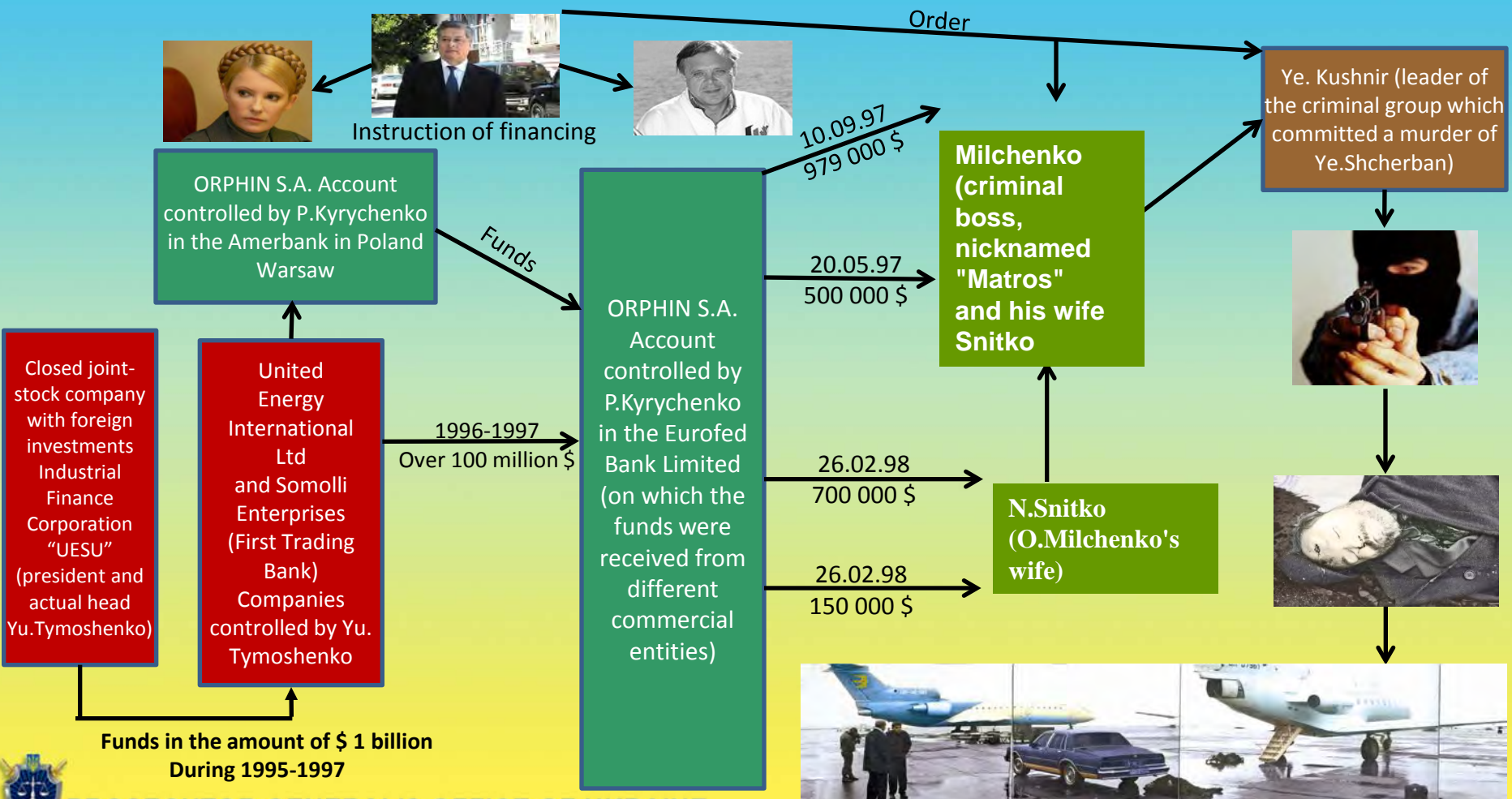
He gave the same statements during his examination in the territory of the USA on April 25-27th, 2001 conducted by US law enforcement authorities. The Prosecutor General's Office of Ukraine on 17.02 and 22.03.2012 examined in Sloviatorserbska correction center the direct executor of homicide of Shcherban– Vadym Bolotskykh. He stated that according to the statements of witnesses and information he possessed, he could say that Lazarenko could have been involved in Shcherban homicide. He also knows that during discussions of homicide arrangement he heard the surname of Yulia Tymoshenko who was in danger, and Aliev (one of homicide accomplices) was ready to solve that problem.

Ruslan Shcherban, a son of killed Shcherban, on 22.03.2012 applied to the First Deputy Prosecutor General of Ukraine R.Kuzmin with the claim against law enforcement authorities' failure to assume measures to bring contractors of his father homicide Pavlo Lazarenko and Yulia Tymoshenko to criminal liability. He indicated the motive of homicide was the fact that his father and Tymoshenko were rivals in gas and oil business which was supervised by Lazarenko, and his father strongly refused to give way to Tymoshenko's business, and he tried not to admit "UESU" controlled by Tymoshenko to Donetsk region.

Shcherban also stated that with the purpose of bringing Tymoshenko and Lazarenko to criminal liability he is ready to address to international organizations, including European Court of Human Rights. He asks law enforcement authorities to take a lawful decision having no fear of homicide contractors and their defendants, including foreign ones.



Movement of the funds from the closed joint-stock company with foreign investments Industrial Finance Corporation UESU and foreign companies controlled by Yulia Tymoshenko to the account Orphin S.A (P.Kyrychenko), from which the payments were delivered to the accounts of the organizers of the contract murder of the National Deputy Ye.Shcherban.



Information according to episode of ordering a murder of Y.O. Shcherban
(to the scheme of the monetary movement)

On 17 June 1992 Y.V. Tymoshenko, O.H. Tymoshenko and O.H. Hravets through citizens of the Republic of Cyprus registered the offshore company Somolli Enterprises Limited on Cyprus.

On 20.11.1995 by means of re-registration of Ukrainian-Cyprian limited liability partnership with foreign investments of the firm KUB, the founders of which were its general director Y.V. Tymoshenko – 5%, director – O.M. Hravets- 5%, O.H. Tymoshenko – 5 % and 85% - Somolli Enterprises Limited”, the Industrial-Financial Corporation “United Energy Systems of Ukraine” controlled by Y.V. Tymoshenko was created.

Starting from 09.11.95 until 19.01.99 Y.V. Tymoshenko, O.H. Tymoshenko, O.H. Hravets were practical owners of the company United Energy International Limited (England) through legal entities TOV Khimnaft (Dnipropetrovsk), Ukrainian-Cyprian partnership The Bosphorus Trade House, Somolli Enterprises Limited company, Bassington Limited company (British Virgin Islands).

In 1994 P.I. Lazarenko`s agent P.M. Kyrychenko created and registered on Bahamas the offshore company ORPHIN S.A., on behalf of which P.M. Kyrychenko opened accounts in American bank in Poland (Warsaw), Bank Populaire Suisse (Geneva) and Eurofed Limited bank (Antigua and Barbuda), the manager of which [accounts] he was.

During 1995-1997 the Closed Joint-Stock Company IFC UESU transferred to accounts of Somolli Enterprises Limited and United Energy International Ltd monetary funds totalling approximately 1 billion US dollars obtained as a result of illegal transactions.

In the period of 1996-1997 more than 100 million US dollars were transferred from accounts of controlled by Y.V. Tymoshenko companies “Somolli Enterprises Limited” and “United Energy International Ltd” to the abovementioned accounts of ORPHIN S.A.

In the beginning of 1996 P.I. Lazarenko, through P.M. Kyrychenko, got acquainted with crime boss O.F. Milchenko and ordered him a murder of Y.O. Shcherban.

In the period of October 1996 the criminal ties of O.F. Milchenko – leaders of criminal group Y.B. Kushnir, A.A. Riabin, M.U. Aliyev organized, and members of the group V.O. Bolotskykh, H. Zanhelidi and others on 03.11.1996 committed a murder of Y.O. Shcherban.

In the beginning of 1997 the Prime-Minister of Ukraine P.I. Lazarenko for murder of Y.O. Shcherban assisted O.F. Milchenko in privatization of Tsarychanskyi factory of mineral waters, where Milchenko`s wife N.O. Snitko became a co-founder of the Joint-Stock Company Tsarychanskyi factory of mineral waters and the owner of 56% of shares of the factory.

Moreover, on the instruction of P.I. Lazarenko, P.M. Kyrychenko on 20.05.1997 and 10.09.1997 transferred to O.F. Milchenko from account of ORPHIN S.A. in Eurofed LTD bank (Antigua and Barbuda) to O.F. Milchenko`s account No. 120512 in the same bank USD 500 000 and USD 979 000 accordingly, totalling 1 479 000 US dollars.

Also, on 26.02.1998 on the instruction of Lazarenko, P.M. Kyrychenko transferred 850000 US dollars from account of ORPHIN S.A. in Eurofed LTD bank (Antigua and Barbuda) to personal account No. 124154 of O.F. Milchenko`s wife N.O. Snitko in the same bank.



EXHIBIT 47

From ORPHIN S.A
WELLS FARGO BANK
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SAN FRANCISCO CA 94103
Jeff Timosh
Acct. 0276417870
Routing 121000248
USD 70,000.00.

Milchenko A.F. 500,000 USD.

Translation: Milchenko A.F., \$500,000 U.S.D.

406 PARADISE Dr
TIBURON CA 94920, USA.

Dotsenko B.A.
USD 60,000.00

Translation: Dotsenko V.A., \$60,000 U.S.D.



20.05.92

D003214

EXHIBIT
43
P. KRITCHENKO 4/20/07



May 30, 1997

Attn: Peter Kiritchenko

Fax: (415) 789 0914

Peter,

Good to speak with you today. We have received 1,662,000 for credit this date. Also find attached copy of conformation notice on the 25,000.

Enclosed is an interim statement on your account and also details of charges made for the hotel, transportation, and other charges. If there are any questions please feel free to inquire.

It was a pleasure to meet with you, Vladimir, and Alexander. We enjoyed the visit and making their acquaintance and look forward to a continued relationship.

As an update, the insurance company papers are at the Attorney's office for preliminary approval while we are waiting for the courier to deliver the references from Vladimir and Alexander. We will advise as soon as the final approval is given. Monday the account for the Insurance Company will be established with Antigua Barbuda Investment Bank.

Thanks and we will be in contact.

Sincerely,

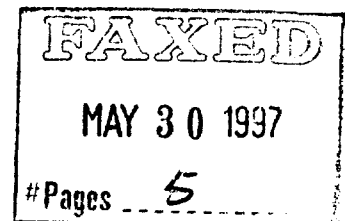
A handwritten signature in black ink, appearing to read "Johnny E. Johnson".

Johnny E. Johnson
Managing Director

D003172

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High Street, PO Box W528, St. John's Antigua, W.I.

268.460.5454 phone, 268.460.5455 fax, (0393)2126 EUROFED telex, <http://www.eurofed.com>



ORPHIN S.A.

**TRAVEL EXPENSES
MAY 17-24, 1997**

AMOUNT	DESCRIPTION
\$4,342.73	A. MILCHENKO & V. DOTSENKO - HOTEL
\$2,068.32	AUTOMOTIVE EXPENSES
\$2,101.53	P. KIRITCHENKO - HOTEL
\$667.45	P. KIRITCHENKO - TICKETS
\$574.90	RESTAURANTS & BARS
\$227.33	A. MILCHENKO & V. DOTSENKO - DINNER
<u>\$18.72</u>	A. MILCHENKO & V. DOTSENKO - PICTURES
\$10,000.98	

European Federal Credit Bank
 High Street, PO Box W528
 St. John's, Antigua
 West Indies

STATEMENT

Statement #: 151
 Date: May30, 1997
 Customer ID: 151897

Account Name
ORPHIN S.A.

Date	Description	Debit	Credit	Balance
MAY 15, 97	WIRE TRANSFER		1,099,970.00	1,099,970.00
MAY 20, 97	TRANSFER	60,000.00		1,039,970.00
MAY 20, 97	TRANSFER	500,000.00		539,970.00
MAY 20, 97	WIRE TRANSFER	70,000.00		469,970.00
MAY 27, 97	WIRE TRANSFER		2,998,000.00	3,467,970.00
MAY 28, 97	TRAVEL EXPENSES	10,000.98		3,457,969.02
MAY 30, 97	WIRE TRANSFER		1,662,000.00	5,119,969.02
			Balance	5,119,969.02

D003174

03/03/1331 00.13 410/850914

BRANIKUSS U S HLINGS

PAGE 01

EUROFED BANK
A.A. V. IVANOV

Acc. 151892

Please by wire transfer

1. USD 1.000.000,00
BANK of New YORK, SWIFT: IRVTLS3N
cor. acc. 890-0261-048 ZEMELNY CAPITAL
COMMERCIAL BANK DNERPOPETROVSK, UKRAINE
BEN.: acc. 001180081 PRIVAT-SERVICE
REF: VZMOS V LIZTAVNOY foncl ot very
NEMLRO INDUSTRIAL GROUP LTD. } important

2. USD 21.000,00
OTP és Ker Bank R.T. HUNGARY
acc. 11732033-20050416

3. USD 979,000,00
to acc. 120512 in your bank

4. USD 6.000,00
1ST NATIONAL BANK of NORTH CALIFORNIA
ABA # 121101189 acc. # 01-847694 EUGENE SHENKAR

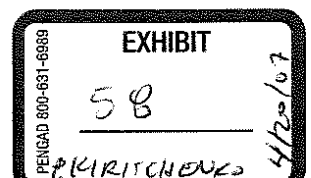
5. USD 2.000.000,00
to acc. # LPI

Best regards

9.09.92

D. CLAYTON

D003351



AmerBank (American Bank in Poland), "Orphin S.A.", Acct 00410-61310-F1 (FX Purchase Account)Signatory: P. Kiritchenko/S.
Novakaovskaia

Date	Credit	Debit	Payor/Payee	Notes	Exhibit	Bates
07/11/97		\$ 3,050,000.00	orphin SA	Eurofed 151897	0405; 1527	E001089; D003131
08/05/97	\$ 350,000.00		WT 103231		0405	E001089
08/07/97		\$ 350,000.00	Brancross US /WT 103231		0405	E001089
08/20/97	\$ 350,000.00		WT 108841		0405	E001089
08/22/97		\$ 350,000.00	Brancross US Holding Inc /WT 108841		0405	E001089
09/02/97	\$ 2,300,000.00		WT 114949		0405	E001089
09/04/97		\$ 2,300,000.00	Westview Properties Ltd /WT 114949		0405	E001089
09/26/97	\$ 150,000.00		WT 126524		0405	E001089
09/26/97	\$ 160,000.00		WT 126862		0405	E001089
09/30/97		\$ 150,000.00	Eugene Klishnir /WT 126524		0405	E001089
09/30/97		\$ 160,000.00	Zoal Capital Inc /WT 126862		0405	E001089
'97 TOTALS	\$ 25,738,463.61	\$ 28,815,604.61				
03/10/98	\$ 100,000.00		WT35239		0405	E001089
03/10/98	\$ 100,000.00		WT 34885		0405	E001089
03/12/98		\$ 100,000.00	Balker Company /WT 35239		0405	E001089
03/12/98		\$ 100,000.00	Raiffeisenbank /WT 34885		0405	E001089
04/29/98	\$ 200,000.00		WT 61426		0405	E001089
05/04/98	\$ -	\$ 200,000.00	Wilnorth Inc/WT 61426		0405	E001089
'98 TOTALS	\$ 400,000.00	\$ 400,000.00				
GRAND TOT	\$ 146,306,733.05	\$ 146,306,733.05				

AmerBank (American Bank in Poland), "Orphin S.A.", Acct 00410-61310-00 (Demand Deposits-Corporate)

Signatory: P. Kiritchenko/S. Novakaovskaia

Date	Credit	Debit	Balance (computed)	Payor/Payee	Notes	Exhibit	Bates
09/02/97		\$ 2,300,000.00	\$ 790,857.70	WT 114949 ACC F1		0405	E001094
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09/03/97		\$ 5,000.00	\$ 785,771.73	Cash Withdrawal		0405	E001094
09/26/97		\$ 30,000.00	\$ 755,771.73	Dopp Awto /WT 126622		0405	E001094
09/26/97		\$ 150,000.00	\$ 605,771.73	WT 126524 ACC F1		0405	E001094
09/26/97		\$ 160,000.00	\$ 445,771.73	WT 126862 ACC F1		0405	E001094
09/26/97		\$ 1.75	\$ 445,769.98	Opl.Za Zlec.Fax /FX 12301		0405	E001094
09/26/97		\$ 87.59	\$ 445,682.39	Wire fee /WT 126524		0405	E001094
09/26/97		\$ 87.59	\$ 445,594.80	Wire fee /WT 126862		0405	E001094
10/01/97	\$ 1,343.74		\$ 446,938.54	Interest		0405	E001094
10/06/97		\$ 19.00	\$ 446,919.54	Opl.Za Opinie Bank Przesl Komun Faxem /FX 13316		0405	E001094
10/27/97		\$ 40,000.00	\$ 406,919.54	Doop Avto /WT 141343		0405	E001094
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11/01/97	\$ 758.59		\$ 407,677.55	Interest		0405	E001094
12/01/97	\$ 679.46		\$ 408,357.01	Interest		0405	E001094
12/05/97		\$ 70,000.00	\$ 338,357.01	Cash Withdrawal		0405	E001094
12/05/97		\$ 700.00	\$ 337,657.01	Fee for cas withdrawal /FX 20418 #61310		0405	E001094
12/05/97		\$ 2.82	\$ 337,654.19	WG 18 Zasu.Na Wywóz Pien Za Granc /FX 20445		0405	E001093
'97 TOTALS	\$ 26,280,372.07	\$ 26,087,427.60					
01/01/98	\$ 597.22		\$ 338,251.41	Interest		0405	E001093
01/16/98		\$ 30,000.00	\$ 308,251.41	Dopp Awto Oddzial /WT 7787		0405	
02/01/98	\$ 555.88		\$ 308,807.29	Interest		0405	
03/01/98	\$ 480.37		\$ 309,287.66	Interest		0405	
03/10/98	\$ 150,000.00		\$ 459,287.66	Agrosnansbit /FT 1401 CTR N1/05		0405	
03/10/98		\$ 11.46	\$ 459,276.20	Wire fee /FT 1401		0405	
03/10/98		\$ 20,000.00	\$ 439,276.20	Dopp Awto /WT 35223		0405	
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03/10/98		\$ 85.97	\$ 239,104.26	Misc fees /WT 34885		0405	
03/10/98		\$ 1.72	\$ 239,102.54	Opl.Za Zlec.Fax /FX 30507		0405	
03/11/98		\$ 8,000.00	\$ 231,102.54	Cash Withdrawal		0405	
03/11/98		\$ 2.87	\$ 231,099.67	Oplata Za Zaswiadczenie /FX 30639 43/98 JVG 23		0405	
03/26/98		\$ 20.35	\$ 231,079.32	Dotyczy Wt 34885 Zmiana Inst. Platnicznych FX32256		0405	
04/01/98	\$ 437.54		\$ 231,516.86	Interest		0405	
04/29/98		\$ 200,000.00	\$ 31,516.86	WT 61426 ACC F1		0405	
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05/01/98	\$ 363.63		\$ 31,791.86	Interest		0405	
06/01/98	\$ 54.75		\$ 31,846.61	Interest		0405	

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P.01

Amerbank in Poland 25,
fax 48.22.822.29.05

acc. # 61310 ORPHIN.S.A. HUI/2608P

Please remit by wire transfer
USD 150.000,00 (one hundred fifty thousand)
to: Raiffeisen Zentralbank Austria A.G.
A-1030 Vienna SWIFT: RZBA, ATWW
BLZ-31000

acc. # 70-50.569.441
EUGENE KLISHNIR

USD 160.000,00 (one hundred sixty thousand)
to: Wells Fargo bank SAN FRANCISCO, USA
ABA 12100248

acc. # 0018075192
Joal Capital Inc.

USD 30.000,00 (thirty thousand)
to: acc. # 61611 DOOP AUTO
in your bank

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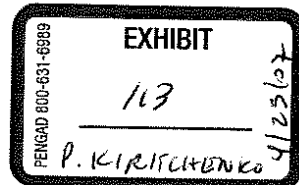
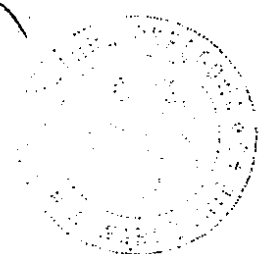
26.09.97

Best regards


P. Kirichenko

SPRAWDZONC:
- upoważnienie
- hasło
- podpis
- inne
Data: 26/09/97
Podpis: J.K.


E000331



AmerBank

Zgodne z oryginałem

Data: 26/09/97

Podpis: 

Statement Closing Date : 11/12/99
 Customer ID : 151897

ORPHIN S.A

Branch : Main Branch
 Currency : US DOLLARS
 Type : Current A/C-NIB Corporate
 Account number : 151897/211/001/001/01

Date	Value Date	Description	Debit	Credit	Balance
		Balance Forward			473,231.25
02/24/98	02/24/98	Visa Pmt. #42104400 10000160	2,983.87		470,247.38
02/24/98	02/24/98	Visa Pmt #421044001 0000228	818.68		469,428.70
02/26/98	02/25/98	Transfer	700,000.00		230,571.30-
02/26/98	02/26/98	Visa Sec. Deposit	135,000.00		365,571.30-
02/26/98	02/26/98	Transfer		1,000,000.00 SCS	634,428.70
02/26/98	02/25/98	Transfer	150,000.00		484,428.70
02/26/98	02/25/98	Add Pmt #4210440010 000160	3,117.00		481,311.70
02/27/98	02/26/98	Transfer	17,060.57		464,251.13
02/27/98	02/26/98	SVC on Transfer	50.00		464,201.13
02/27/98	02/26/98	Returned Trsf Fee 2 0/1/98	15.00		464,186.13
02/27/98	03/01/98	Finance charge		4,467.32	468,653.45
03/03/98	03/03/98	Transfer	200,000.00		268,653.45
03/03/98	03/03/98	Transfer	70,000.00		198,653.45
03/03/98	03/03/98	Transfer	100,000.00		98,653.45
03/03/98	03/03/98	SVC on Transfer	75.00		98,578.45
03/03/98	03/03/98	SVC on Transfer	50.00		98,528.45
03/03/98	03/03/98	SVC on Transfer	75.00		98,453.45
03/04/98	03/04/98	Pmt Visa	1,351.35		97,102.10
03/09/98	03/09/98	Travel Jan & Feb. 9 8		20,000.00	117,102.10
03/09/98	03/09/98	Transfer	290,000.00		172,897.90-
03/09/98	03/09/98	SVC on Transfer	75.00		172,972.90-
03/13/98	03/10/98	Transfer		400,000.00 SCS	227,027.10
03/16/98	03/16/98	Transfer	100,000.00		127,027.10
03/16/98	03/16/98	SVC on Transfer	75.00		126,952.10
03/18/98	03/18/98	Transfer	20,000.00		106,952.10
03/18/98	03/18/98	SVC on Transfer	50.00		106,902.10
03/24/98	03/20/98	SVC on 3 Visa Cards	24.00		106,878.10

		Balance Forward			106,878.10

EXHIBIT 48

GOVERNMENT OF UKRAINE
MINISTRY OF FINANCE
MAIN CONTROL AND REVISION OFFICE

REPORT OF INVESTIGATIVE FINDINGS

Pursuant to Agreement on Performance of Audit
on the Efficiency of Use by the Respective
Controllers of the Budget Funds in 2008-2009
and in the First Quarter of 2010

October 14, 2010

TROUT CACHERIS PLLC
AKIN GUMP STRAUSS HAUER & FELD LLP
KROLL, INC.

Trout Cacheris, PLLC

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INTRODUCTION

On May 5, 2010, the Cabinet of Ministers of Ukraine issued Resolution No. 334 (the Resolution) authorizing the audit and investigation of the use of budgetary allocations by the Government of Ukraine during the fiscal years 2008 and 2009 and the first quarter of calendar year 2010.

Pursuant to the authority granted under the Resolution, the Ministry of Finance and the Main Control and Revision Office of Ukraine (the "KRU") engaged the law firm of Trout Cacheris, PLLC of Washington, D.C. to carry out the audit and investigation mandated by the Cabinet of Ministers. Trout Cacheris engaged the international law firm Akin Gump Strauss Hauer & Feld, LLP and the investigative and forensic audit firm Kroll, Inc. (collectively, the Investigative Firms), along with the consulting firm First International Resources, LLC, to collaborate in the performance of the investigation and the preparation of the formal report detailing the results. On May 18, 2010, the Ministry of Finance and KRU entered into a formal agreement with Trout Cacheris (the "Agreement"), which included specific "terms of reference" that were intended to provide a guide for the selection of matters to be subjected to audit and investigation pursuant to the Resolution. While the Agreement provided for the investigative work to be completed by August 10, 2010, certain unexpected obstacles required that the date of completion be extended to September 15, 2010.

As an initial matter, 28 transactions involving the Government of Ukraine during the years 2008 and 2009 and the first calendar quarter of 2010 were identified by the KRU for further investigation. Recognizing the limited time in which the investigation was to be completed, after consultation with senior officials of the Ministry of Justice and the KRU, six specific matters were selected for in-depth audit and investigation. In making this selection, the

purpose was to indentify a range of suspect activity that took place in a variety of governmental functions, rather than seeking to investigate one area of activity in great detail. In other words, the six cases that are the subject of this report were selected in an effort to provide a survey or cross-section of suspect government transactions during the stated period of time.

The investigation proceeded over a period of four months with teams of lawyers, investigators and analysts working in Kyiv, London and Washington, D.C. All investigative activity in Ukraine was conducted in close collaboration with officials of the KRU. The conduct of this case involved a full range of modern analytical tools, including forensic accounting and extensive electronic data bases, as well as traditional human intelligence work that included numerous interviews of witnesses both inside and outside Ukraine.

In the course of the investigation, several transactions were identified in which Government ministries and public enterprises suffered substantial monetary losses involving funds that were transferred outside Ukraine. Where appropriate, we have recommended that legal action be taken by the Government of Ukraine and its constituent agencies against individuals and companies responsible for these losses. To that end, as of the date of this report civil suits have been initiated in the federal courts of the United States and the High Court of Justice of England and Wales. In one instance involving a series of fraudulent schemes that targeted procurement for the State Material Reserve, the Cabinet of Ministers has authorized an expanded investigation in an effort to identify companies and banks outside Ukraine from which some of the very substantial amounts that were lost may be recovered.

In preparing this report, nearly 2,000 pages of documents have been identified and designated as exhibits to the report. These documentary exhibits, collected into five volumes and submitted with this report, were drawn from more than 250,000 pages examined in the course of

the investigation. We have worked to ensure that every material statement of fact that is made in the report is validated by one or more documentary exhibits or statements provided by witnesses with personal knowledge of the events. These exhibits constitute an integral part of this report and should be studied by anyone seeking a full understanding of this investigation.

From the beginning, there were no limitations of any kind placed on the scope, depth or details of our investigation. This investigation carried no subpoena power or other legal means to compel cooperation by individual witnesses and, in a few limited instances, individual government employees resisted or otherwise failed to cooperate in the investigation. Where such lack of cooperation or resistance occurred, the scope and nature of the uncooperative conduct has been noted in the text of the report.

Finally, and perhaps most importantly, the work of this investigation has been directed entirely toward the discovery, analysis and presentation of facts and evidence. Some of this evidence is soon to be presented in courts in Ukraine, the United States, the United Kingdom and other jurisdictions. To the extent conclusions are reached or professional opinions offered in this report, the reader is invited to study the documentary evidence to test the validity of those conclusions, professional opinions and the investigation as a whole. We are confident that our work will withstand the test.

Trout Cacheris, PLLC
Akin Gump Strauss Hauer & Feld, LLP
Kroll, Inc.

Kyiv, Ukraine

October 14, 2010

EXECUTIVE SUMMARY

In this report, Trout Cacheris PLLC, Akin Gump Strauss Hauer & Feld LLP, and Kroll, Inc., (collectively the “Investigative Firms”) submit the results of their investigation. We have given careful consideration to the entire record, the findings, and conclusions. The report consists of this executive summary which summarizes the Investigative Firms’ basic findings and conclusions, followed by a detailed analysis of the facts and the issues as to each project. Along with this report, the Investigative Firms are submitting the accompanying documentary exhibits and other investigative materials which are relied upon in this report. The Investigative Firms are committing all of their reports and working papers to the Government of Ukraine, where they can be permanently preserved under the rules and regulations of applicable Ukrainian law.

The investigation revealed evidence of misapplication of state funds and apparent fraud involving the highest levels of the previous administration, specific ministries, and private corporations. Although the Investigative Firms lacked subpoena power, we have gathered powerful circumstantial evidence of conduct that is not typical of honest officials and businesspeople. The six topics that were examined uncovered the following findings.

1. **Investigation Relating to Procurement of 27 Renault Master Vehicles by the Ministry of Emergency Situations**

In November 2009, the Ministry of Emergency Situations entered into a contract with a Ukrainian shell company called Lakshmi Avto for the supply of 27 Renault *Master* vehicles. The contract price was UAH 799,000 per vehicle, for a total value of UAH 21,573,000. However, the vehicles had been imported into Ukraine two years earlier by routine government contractor ISS Ukraina at a price of approximately UAH 242,000 per vehicle – less than one-third of the price paid by the Ministry, despite two years of depreciation. ISS Ukraina had purchased the

vehicles from a UK company called Legal Business Consultants, which specializes in offshore incorporation. The directors of Legal Business Consultants and ISS Ukraina are connected through multiple other corporations on which they serve as directors or shareholders. In the months before the Ministry announced the tender for the vehicles, the vehicles were transferred to other closely related shell companies, for the apparent purpose of disguising the vehicles' origin and actual value. The principal of ISS Ukraina also enjoyed ties to Ministry officials who were responsible for promoting the supposed need for the vehicles and for supervising the tender process. In sum, the purchase of the vehicles was a sham transaction, using classic international money laundering mechanisms, that resulted in waste and misuse of Government funds.

2. Investigation Relating to Procurement of Sugar by the State Material Reserve

In February 2010, when market prices for sugar were at their peak, the State Material Reserve entered into two contracts to purchase sugar to replenish the reserves after they were sold off in August and September 2009. The contracts were brokered on the Kyiv Agro-Industrial Exchange with a Ukrainian intermediary called Hermes-Trade, for 22,150 tons of sugar at the price of UAH 11,000 per ton, for a total contract value of more than UAH 243 million. The State Material Reserve had prepaid the entire amount by March 2010, but only 5,000 tons of sugar had been delivered as of late August 2010. Sources indicated that current employees of Hermes-Trade formerly worked for the State Material Reserve. Furthermore, Hermes-Trade entered into a sham contract with a closely related UK entity, Heritage Capital Investments, for the supply of sugar from Brazil in order to fulfill the contract with the State Material Reserve. The evidence strongly suggests that the sugar transaction was structured so that private parties could benefit from state funds without even delivering sugar to the Material Reserve.

3. **Investigation Relating to Use of Funds Received from the Sale of Carbon Credits Pursuant to the Kyoto Protocol**

The Investigative Firms' investigation revealed that high-ranking government officials violated international agreements by using funds obtained through the sale of carbon credits to mask deficiencies in the Pension Fund. The National Environmental Investment Agency of Ukraine entered into five contracts during 2009 to sell carbon emission credits under the framework of the Kyoto Protocol. In exchange for the sale of carbon credits, Ukraine received 320 million, all of which was required to be maintained in segregated accounts and to be used exclusively for environmental projects. Instead, on three separate occasions, former Prime Minister Yulia Tymoshenko ordered the State Treasury to transfer the majority of the €320 million from the segregated Kyoto accounts into the general Treasury account in violation of international agreements. Most of the funds were, in turn, transferred to the Pension Fund in July and August 2009. While some of those funds were subsequently returned to the Kyoto accounts, €200 million (UAH 2.3 billion) that was transferred to the Pension Fund has not been returned. None of the €320 million received has been used on projects aimed at environmental protection, as required by the terms of the contracts. High-ranking government officials flouted these terms and misapplied the funds in order to bolster the Pension Fund.

4. **Investigation Relating to Procurement of 1000 Opel Combo Leisure Activity Vehicles and Medical Equipment by the Ministry of Health**

Following the visit of high-level Austrian officials and business leaders to Kyiv, the Ministry of Health, through state enterprise Ukrmedpostach, entered into a contract with an Austrian company called Vamed Engineering GmbH & Co. KG. Because there were no funds in the budget to procure the medical equipment and vehicles provided for by the contract, the Ministry of Health borrowed €101 million to finance the purchase. The Cabinet of Ministers authorized the debt, most of which is repayable over the course of ten years.

Under the contract, the Ministry procured 1,000 Opel Combo leisure activity vehicles, which had limited medical utility. Many of the vehicles were distributed immediately before the 2010 election with stickers that extended for the length of the cars indicating “The program of the Government of Yulia Tymoshenko.” At the time that the current Government took office, the majority of the equipment purchased from Vamed remained stored in Ukrmedpostach’s warehouse. Public resources will be diverted for the next decade to repay the debt that was incurred by the Ministry of Health and approved by the Cabinet of Ministers to purchase arguably unnecessary equipment and vehicles that appear to have been used as mobile campaign advertisements.

5. Investigation Relating to Purchase of Pharmaceutical Products and Medical Equipment by the Ministry of Health in 2008 and 2009

The Investigative Firms examined certain contracts between the Ministry of Health, through state enterprises, and five Ukrainian contractors in 2008 and 2009. The Ministry of Health paid the five contractors more than UAH 250 million for vaccines and medications and UAH 100 million for medical supplies. The Investigative Firms’ audit revealed that the Ukrainian entities entered into sham contracts with foreign shell companies and falsely claimed that the foreign companies had assisted in procuring vaccines, in an effort to mask the inflated prices that the Government was paying and the profits that the private companies were enjoying. The vast majority of the UAH 350 million paid to the Ukrainian contractors was subsequently transferred to the Lithuanian and Latvian bank accounts of foreign shell companies.

The Ukrainian contractors and foreign intermediaries appear to have perpetrated the fraud to circumvent Ukrainian law limiting intermediary price mark-ups to 10 percent more than the manufacturer’s price. Instead of purchasing vaccines and medical supplies from manufacturers, the Ukrainian contractors purchased the goods through intermediaries, most of which were

offshore shell companies, in order to conceal the manufacturer's price and facilitate a much more substantial mark-up. The foreign intermediaries performed no work under the contracts and added no value to the transactions but were the ultimate beneficiaries of most of the UAH 350 million in government contracts.

The Investigative Firms also note that the Ministry of Health's actions were inconsistent with its pledge to fully cooperate with the investigation. The Ministry of Health fired employees who were cooperating with the investigation and then provided inconsistent and false rationales for the firings. The Ministry of Health did not respond to document and interview requests in a timely manner and several high-ranking officials in the Ministry provided evasive or non-responsive answers to relevant questions.

6. Investigation Relating to Land Registration Program Enacted by the Cabinet of Ministers

In August 2009, the Cabinet of Ministers approved a Land Registration Program, which provided funding for 6.4 million citizens to register and formally own their plots of land. The program was financed by the Stabilization Fund, a special fund that was created in 2008 and designated for supporting banks and minimizing the negative effects of the recession.

Regulations that governed the use of the Stabilization Fund required the Cabinet of Ministers to obtain the approval of the Verkhovna Rada Committee on Finance and Banking and Budget Committee for expenditures from the Fund. The Investigative Firms audit confirmed that, in authorizing the land registration program, the Cabinet of Ministers failed to seek the necessary approval of the Parliamentary Committees. Former Prime Minister Tymoshenko signed a resolution in December 2009 that instructed the State Treasury to make disbursements from the Stabilization Fund without the approval of Parliament. While the rationale for using the

Stablization Fund in this manner is not known, the funds were disbursed close in time to the 2010 elections, for a popular program that could benefit citizens immediately.

METHODOLOGY

The Investigative Firms commenced investigative work in May 2010 pursuant to the Agreement on performance of audit on the efficiency of use by the respective controllers of the budget funds in 2008-2009 and in the first quarter of 2010”, which was signed on behalf of the Government of Ukraine by and the Ministry of Finance and the Main Control and Revision Office (the “KRU”). The Investigative Firms conducted the investigation according to the following steps.

1. Selection of Investigative Topics

The investigative team reviewed a list of 28 potential topics for investigation, which had been compiled by the KRU based on revisions and audits that the KRU had previously conducted or that were in progress at the time. In consultation with KRU officials, five of the 28 topics were selected for further investigation in the initial phase of our work. Topic selection was based on a number of criteria, including indications of apparent misappropriation or misuse of government resources, tiered transaction structures suggesting the use of intermediaries to conceal the true nature of the transaction, and the involvement of companies and individuals outside of Ukraine.

The five topics listed below have been forensically examined during the first phase of our investigation for evidence of fraudulent activity, misappropriation, and abuse of government resources:

- The acquisition of emergency vehicles by the Ministry of Emergency Situations in 2009;
- The purchase of sugar for the State Material Reserve in February 2010.

- The use of funds received from the sale of carbon credits pursuant to the Kyoto Protocol in 2009;
- The acquisition of 1,000 Opel Combo leisure activity vehicles and medical equipment by the Ministry of Health in 2009; and
- Purchases of vaccines and medical products by the Ministry of Health between 2008 and 2010.

A sixth transaction, relating to a land registration program enacted by the Cabinet of Ministers, was later identified. The investigative team has audited and in many cases confirmed the findings of the KRU with respect to this transaction, but did not engage in the same level of comprehensive forensic investigation as was undertaken for the initial five projects.

2. Approach

An independent forensic investigation has been conducted in relation to each of the five topics selected with the aim of establishing, where relevant, the following:

- The terms and conditions of the transaction;
- The rationale for entering into the transaction and the method of selecting the contracting party or parties;
- The key decision makers involved in initiating the transaction;
- The use and beneficiaries of government funds;
- Whether the transaction represented fair value to the Government;
- Whether the transaction included unethical or unlawful considerations; and
- The presence of structures that may indicate fraudulent activity.

In each case, the Investigative Firms used methodology designed to ensure that the information gathered was as comprehensive as possible, in order to support a forensic

investigation into each of the projects. In this regard, the investigation relied on a combination of forensic analysis of available documentation related to each transaction, interviews with individuals in a position to comment on the transaction, and external investigative research in relation to key stakeholders in the transaction. At a high level, the Investigative Firms conducted the forensic investigation according to four main steps: documentary collection and analysis, interviews, external research, and ongoing analysis and documentation of findings.

A. *Documentary Collection and Analysis*

In the first instance, the Investigative Firms reviewed summaries prepared by the KRU in relation to each project. This was followed by initial discussions with KRU officials in order to gain a more detailed understanding of the transaction at issue, the structure of the relevant Ministries involved, and the available documentary evidence relating to the transaction. These basic discussions assisted us in formulating a conceptual structure of the transaction, including the ability to identify documents and other information that we would expect to be available.

The Investigative Firms then submitted detailed document requests to the relevant ministries and governmental departments. Throughout our investigation, this process was ongoing, and numerous follow-up requests were submitted as our knowledge of a transaction increased. The nature of information requested included, but was not limited, to contracts, invoices, internal and external correspondence, bank transfers and other account records, customs documentation, tender documentation, and government decrees. The documentary collection and analysis did not extend to email correspondence or forensic imaging of the computer files maintained by key suspects or government officials. Lacking subpoena power, the Investigative Firms were unable to access and review certain bank account records, correspondence, and other documents in the possession of non-governmental parties.

The documents that we received were forensically analyzed in an effort to compile a complete paper trail from the transaction's initiation to its conclusion. The document review process also permitted us to identify individuals who played a key role in the transaction and with whom interviews could be conducted.

B. *Interviews*

After conducting an initial review of available documentary evidence relating to a transaction, the Investigative Firms requested interviews with individuals within the Government who were identified as having been connected to the decision making and authorization process. These interviews were informal and were not taken under oath, nor were they transcribed, taped or recorded by any method. The purpose of these informal interviews was to gain further context as to our findings from the document analysis aspect of the investigation, as well as to obtain additional information relating to the rationale for the transaction and the primary decision-makers. We conducted more than fifty interviews of officials of various government ministries and state-owned enterprises. It was generally outside the scope of the Investigative Firms' mandate to contact third parties and corporations that contracted with the Government for interviews. To facilitate the disclosure of information, as well as to protect the professional and personal reputation and safety of those involved in the process, the identity of those interviewed is not disclosed in this report.

C. *External Research*

The Investigative Firms conducted a substantial amount of external, international investigative research in relation to each of the projects. We consulted public records and other sources to obtain additional information relating to corporate ownership, pricing of products, and to discern connections between contractors and government officials. The purpose of this aspect

of our work was to expand upon our findings from the document review and interview processes, and to understand further the role of third parties in transactions and their potential connections to key government decision makers.

D. *Synthesis of Findings*

The information that we identified in relation to each project was continuously analyzed, reviewed, and documented in order to take into account findings as they developed. Interim reports were prepared and at the conclusion of the investigation our findings were compiled into more formal reports, which referenced appropriate source documentation for each assertion made. This final report represents the culmination of our efforts.

**INVESTIGATION RELATING TO PURCHASE
OF PHARMACEUTICAL PRODUCTS AND
MEDICAL EQUIPMENT BY THE MINISTRY
OF HEALTH IN 2008 AND 2009**

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I. Introduction

This report discusses a number of transactions between the Ministry of Health and five separate Ukrainian intermediary companies from which the Ministry procured vaccines, pharmaceuticals, and medical equipment. The Ukrainian intermediaries involved offshore intermediaries in the transactions as a means to conceal their true profit and the amount that manufacturers' prices were marked up when the Ukrainian companies sold to the government.

The investigation conducted with respect to this report is governed by the following sections of the Terms of Reference:

- Performance of the state budget in respect of revenues and expenditures. Terms of Reference I.1.
- Public procurement of goods, works and services and compliance with generally prescribed competitive procedures. Terms of Reference I.4.
- Evaluation with respect to compliance with the legislation of Ukraine, international law and practice in all areas set out in these Terms of Reference. Terms of Reference II.
- Conclusion on impact of discovered violations on the state economy. Terms of Reference II.
- Proposals regarding specific measures for improvement of the financial and economic situation in the state. Terms of Reference II.

II. Executive Summary

During 2008 and 2009, the Ministry of Health purchased vaccines, pharmaceuticals, and medical equipment from five Ukrainian companies, four of which were associated with a layer of foreign shell companies. The Ministry, through state-owned enterprises Ukravaktsina, Ukrmedpostach, and Politekhmed, paid the five Ukrainian contractors – Interfarm, Imbioimpex, United Medical Service, Tri-Centralny Aptechny Sklad, and Sums kaya – more than UAH 250 million for vaccines and pharmaceuticals and UAH 100 million for medical supplies.

The Ukrainian contractors made it appear that they had purchased the goods through foreign intermediaries – shell companies with secret or offshore owners. Significant amounts of money paid by the Ministry of Health to the Ukrainian companies were transferred to foreign intermediaries' bank accounts in Latvia and Lithuania. Although the foreign intermediaries purported to buy the vaccines from the manufacturers and sell them to the Ukrainian contractors, in fact there is no evidence to suggest that the foreign intermediaries performed any legitimate work relating to the supply of the vaccines. Customs documents show that the vaccines were shipped directly from the manufacturers to Ukraine. Through the use of the foreign shell companies, the Ukrainian contractors were able to circumvent the Ukrainian law that prohibits mark-ups in excess of 10 percent of the customs value on such products and thereby charge the Ministry an inflated price. The foreign shell companies and Ukrainian intermediaries carried out their scheme by entering into sham contracts and submitting fraudulent customs documents to conceal the actual price that the Ukrainian companies paid the

manufacturers for the medical products. The true mark-ups (over the manufacturers' prices) paid by the government to these contractors are therefore generally higher than customs declarations and the sham contracts would indicate. Industry sources indicate that, in many instances, the vaccines and medical supplies could have been procured for one-half the price the Ukrainian contractors charged the government.

A. Overview of the Schemes

- Interfarm used a U.S. shell company called Olden Group, LLC to conceal its mark-ups on Sanofi Pasteur-manufactured vaccines. The company is owned by two other shell companies in the offshore jurisdictions of Belize and the island of Niue.
- Imbioimpex claimed to have obtained vaccines through two intermediaries, Virion GmbH, which is incorporated in the Seychelles, and Hostas, which is incorporated in New Zealand.
- United Medical Service concealed manufacturers' prices through the use of a shell company incorporated in the UK called Jade Commercial Ltd. The sham contracts between United Medical and Jade were executed well before United Medical was awarded the government contracts, but were for the same quantity of goods that the Ministry eventually purchased, suggesting corrupt influence over the bidding process.
- Tri-Tsentralny Aptechny Sklad used a UK shell company called Eurostate as an intermediary.

In each case, the foreign intermediary exists only on paper and never took possession of the vaccines. The most reasonable conclusion is that the sham contracts between the Ukrainian companies and the foreign intermediaries served to conceal the manufacturer prices and allow Ukrainian contractors to charge inflated prices to the government. Confidential sources provided pricing analysis relating to certain pharmaceuticals and medical products and confirmed that the government was charged more than a 10 percent mark-up over the manufacturer prices.

B. The Tender Process

The Investigative Firms' audit also revealed that the tender process utilized by the Ministry of Health is largely dysfunctional. Many of the Ukrainian companies are repeat contractors with the Ministry of Health, and the companies' principals have ties to the Ministry or other government connections. Tender documentation relating to certain of the contracts involving the Ministry of Health and the five companies reveals collusive bidding. For example, in several instances, there are only two companies participating in the tender and the losing company will have the same address as the winning contractor and a telephone number that reaches the offices of the winning contractor. The Ministry of Health expressed no concern with the issue of collusive bidding. Instead, it appears that the Ministry views its role as to do nothing more than to select the lowest bidder.

C. Lack of Cooperation from the Ministry of Health

Finally, some of the witnesses who cooperated in our investigation were terminated shortly after we interviewed them or as they were gathering documents to provide to investigators. No one within the Ministry of Health was able to provide a

convincing explanation of the decision to terminate these employees. Several Ministry officials provided evasive and incomplete answers when questioned on the subject of firings and the Ministry was consistently slow to provide documents and grant interview requests. In sum, the Ministry's conduct was inconsistent with its pledge to fully cooperate with the investigation.

III. Background on the Ministry of Health's Procurement Process

Both before and after the Ministry of Health of Ukraine (the "MHU") decides to procure particular medical goods, a series of steps are, at least in theory, followed. The first stage of the procurement process involves researching the need for a particular vaccine or piece of equipment. This is the responsibility of the Expert Committee of the Tender Committee. The Expert Committee consists of doctors, scientists, physicians and researchers, who evaluate the quantity of vaccines needed for each region, make recommendations to the tender committee on vaccine purchases, and monitor complaints of adverse reactions.

On an annual basis, each of Ukraine's 27 regions submits a list of the vaccines required. The expert committee evaluates the requests and prepares recommendations for the tender committee. The Expert Committee cannot recommend that the MHU purchase more vaccines than requested by the regions. Their recommendations are compiled in a technical document, which details the approximate quantity required for the year and the approximate price per dose and total cost. A member of the Expert Committee explained that the committee largely uses the price from the previous year as the basis for the

recommended price.¹ The General Director of Ukrmedpostach explained that this annual procurement plan is published on the website of the MHU and is therefore accessible to all of the Ukrainian intermediaries described below.²

The expert report is then passed to the Tender Procedures Department, the secretarial department of the Tender Committee, which reviews the report and enters it on the Tender Committee agenda. The Tender Procedures Department compares the prices in the annual technical document to the previous year's prices. If the price is higher than the previous year, the Expert Committee is required to explain the discrepancy. A source explained that approximately three years of previous prices are taken into account when setting the vaccine budgets as prices fluctuate as a result of the manufacturers' price changes and exchange rate fluctuations.³ However, consulting only prior years' prices allows markups to become entrenched.

The Tender Committee includes approximately nineteen MHU officials. Once a decision regarding the tender request has been made by the Tender Committee, the Tender Procedures Department publishes an announcement in the State Procurement Bulletin for approximately one month. In order to respond to the tender request, an entity must be a resident of Ukraine or otherwise be properly registered to do business in Ukraine.

After the deadline for submitting bids arrives, the bids are opened and the proposals are all publicly announced. Bidders are typically present at the announcement.

¹ Interview of confidential source, August 6, 2010.

² Interview of confidential source, August 25, 2010.

³ Interview of confidential source, August 6, 2010.

The name of each bidder and the price bid are recorded. After the envelopes have been opened, the tender committee has 30 days to decide which bidder to select. The Tender Committee ensures that all bids are complete, and the expert group then reviews the technical documents submitted by bidders. The Expert Committee prepares a table summarizing the details of each bid, including quantity, manufacturer, and other criteria. The conclusions of the expert group are taken into consideration by the Tender Committee when making a decision. According to a witness interviewed, the price and quality of the products are the main factors in the decision.⁴

The bids are again evaluated by the Tender Committee, and the lowest bid is selected. If the Ministry's budget for the specified vaccine is not sufficient to meet the price of the lowest bidder, then the number of vaccines requested will be reduced. The total price of the purchase and the revised number of units required is then sent to the winning bidder to be accepted. Information regarding the winning bidder and the quantity and price of the vaccines being supplied is recorded in a decree that is then sent to a state enterprise. The state enterprises are then responsible for contacting the Ukrainian intermediary that has won the tender. Ukrvaksina is responsible for vaccine procurement. The other state enterprises relevant to this investigation are Politekhmed and Ukrmedpostach.

The state enterprises have no involvement in the tender process and are instructed by the Ministry to enter into a supply contract and to ensure that the contract is fulfilled in terms of delivery, quality and timing. One source explained that Ukrvaksina's role in

⁴ Interview of confidential source, August 6, 2010.

the vaccine procurement process includes managing the paperwork, receiving and inspecting the goods, verifying the amount and quantity of goods received, reviewing certification from the manufacturer, storing the vaccines and distributing vaccines to the regions.⁵ Another witness explained that Politekhmed's task is to prepare the agreement, transport the goods, assemble the equipment and provide support during the guarantee period.⁶

If poor quality goods are delivered, the intermediary is required to replace them and pay a fine. Fines are also imposed if the intermediary defaults on the time schedule. A witness explained that the MHU had no information on the mark up applied by the entities in the procurement process but agreed with the inference that Ukrainian companies are likely hiding their profit margin by using foreign intermediaries.⁷ Other witnesses stated that the state enterprises had no information about the foreign intermediaries but suspected that the foreign companies added no value to the process.⁸

IV. Background on Mark-Ups Permitted by Ukrainian Law

Decree of the Cabinet of Ministers No. 955, dated October 17, 2008,⁹ which became effective on November 6, 2008 and was amended by Decree No. 333 on March 25, 2009,¹⁰ governed pricing markups with respect to pharmaceuticals. The Decree provided that, when pharmaceuticals are procured in full or in part with state funds, the supplier's sale mark-up to the government shall not exceed 10 percent of the wholesale

⁵ Interview of confidential source, July 9, 2010.

⁶ Interview of confidential source, August 17, 2010.

⁷ Interview of confidential source, July 15, 2010.

⁸ Interview of confidential source, July 9, 2010.

⁹ Exhibit 155: UA0005850.

¹⁰ Exhibit 156: UA0005840.

price. (A 10 percent mark-up was also permitted under Decree No. 1548, issued in December 1996.) The wholesale price is defined in Decree No. 955 as the unit price of the goods imported. The unit price of the imported goods, in turn, is defined as the price listed on the customs declaration. Thus, the supplier cannot add more than a 10 percent markup to the customs value when selling to the government.

In the transactions that were investigated, the price mark-up between the Ukrainian intermediary and the Ministry of Health was within the 10 percent limit. However, as discussed in more detail below, the true markup is hidden and is much higher. The foreign intermediary, which adds no value to the transaction, is present merely to conceal the manufacturer's price, thus enabling the Ukrainian intermediary to list a higher customs value, and obscure the actual profit gained by the Ukrainian companies through markups well above the 10 percent threshold.

V. Investigative Findings

This investigation consisted of five distinct but related investigations into transactions involving the Ministry of Health, state-owned enterprises, and Ukrainian companies Interfarm, Imbioimpex, United Medical Service, Tri-Tsentrалny Aptechny Sklad, and Sumskaya.

A. Interfarm

1. Corporate Profile

Interfarm is well known on the Ukrainian market for supply and distribution of pharmacological and medical products and is among the top suppliers of medical products under state procurements contracts, winning numerous tenders for medical

supplies year after year. Founded in 1994, Interfarm has been supplying medicines under state contracts since at least the early 2000s.

In 2009, Interfarm, together with Ganza and Tri-TsAS (see below), was one of the top five contractors for state procurement by MHU.¹¹ The dominance of some companies, including Interfarm, in the state procurement market and the high prices that they have been charging for their products have long been a subject of controversy in Ukraine.¹²

In May 2010, the Ministry of Economics disclosed a publication about contracts to procure vaccines that the MHU concluded between April 13 and 15, 2010. Interfarm was named among the largest recipients of funds from MHU, obtaining UAH 97 million.¹³ In November 2009, Interfarm was ranked fifth in terms of the volume of state tenders won, totaling UAH 112.7 million.¹⁴ A report in February 2007 in Apteka, a trade publication of the pharmaceutical industry, stated that five companies shared the vast majority of MHU procurement orders. The list included Interfarm, which it said, was working with Aventis Pasteur (now known as Sanofi Pasteur).¹⁵ In June 2010, Interfarm was included on the “green list” of companies by the Ukrainian customs authorities, which are subject to simplified rules of customs control and process.

The limited liability company OOO Interfarm was incorporated on November 9, 1994 and maintains an office and a website. According to corporate records, Yaroslav Viktorovich Sorokovyi is the head of the company. Vadim Ivanovich Romanyuk and

¹¹ Дело (Киев) ; 03.02.2010

¹² Poltbyuki, 23.11.2009

¹³ StartUA.com ; 18.05.2010

¹⁴ proUA.com, 24 November 2009

¹⁵ Apteka, 12 March 2007

Aleksey Borisovich Zak are equal owners of the company. All three of these individuals signed the contracts in relation to the purchase of vaccines by the MHU in 2008 and 2009. According to corporate records, the company was founded by Romanyuk, Zak, Vladimir Evgenievich Zhukov, and Nikolay Sergeevich Taranenko.

In June 2009, one publication claimed that the MHU allows its suppliers to work with delays, citing examples in which several companies, including Interfarm and Tri-TsAS, supplied vaccines 100-165 days after payment was made. The article questioned why MHU was allowing such interest-free credit and suggested that it was never done without benefit for those who allowed these delays.¹⁶

2. *Government Contracts Reviewed*

The investigative team reviewed five government contracts between the MHU, Interfarm and state enterprise Ukrvaksina in relation to the provision of medical vaccines:

- Government Contract 1/1 signed on 19 March 2008 for 641,725 units of TETRAct-HIB at UAH 40.80 per unit. The total value of the contract was UAH 26,182,380.¹⁷
- Government Contract 1/2 signed on 19 March 2008 for 95,000 units of Trimovax at UAH 41.28 per unit. The total value of the contract was UAH 3,921,600.¹⁸
- Government Contract 1/7 signed on 20 March 2008 for 450,273 units of Pentaxim at UAH 160 per unit. The total value of the contract was UAH 72,043,680, divided into seven separate batches.¹⁹

¹⁶ Exhibit 157: UA0005978.

¹⁷ Exhibit 158: UA0002226-31.

¹⁸ Exhibit 159: UA0002490-95.

- Government Contract 1/8 signed on 20 March 2008 for 342,840 units of Imovax Polio at UAH 38.11 per unit. The total value of the contract was UAH 13,065,632.40.²⁰
- Government contract 1/1 signed on 5 February 2009, for 46,642 units of Trimovax at UAH 68.11 per unit. The total value of the contract was UAH 3,176,786.62.²¹ The contract was amended on 14 August 2009 to 46,349 units at UAH 68.54 per unit, amounting to a total contract value of UAH 3,176,760.46.

All five contracts stipulate that the vaccines are to be acquired from Sanofi Pasteur in France. The total value of the five contracts amounts to UAH 118,390,052.86. The first four contracts, all signed in 2008, stipulate that Ukrvaksina shall make a 100 percent prepayment of the total price of the goods to Interfarm 90 days before Interfarm actually supplied any vaccines. The fifth contract, signed in 2009, stipulates that the payment of the goods shall be made within seven days from the date of delivery of the goods.

On behalf of the MHU, the first four contracts are signed by First Deputy Minister of Health M.G. Prodanchuk, and the fifth contract is signed by Deputy Minister of Health Z Mytnyk. On behalf of Interfarm, the first four contracts are signed by Commercial Director O.B. Zak, and the fifth contract is signed by Director Ya Sorokovyi.

¹⁹ Exhibit 160: UA0002273-79.

²⁰ Exhibit 161: UA0002255-60.

²¹ Exhibit 162: UA0002298-304.

3. *Interfarm Entered Into Sham Contracts with Foreign Shell Company Olden Group LLC To Conceal the True Mark-Ups*

Interfarm entered into eight contracts with a shell company called Olden Group LLC that corresponded to and purported to fulfill Interfarm's contracts with the MHU.²²

The following contracts were reviewed:

Date	Vaccine	Units	Unit Price	Total Price
5/8/08	TETRAct-HIB	321,300	\$8.113	\$2,606,706.90
7/25/08	TETRAct-HIB	217,680	\$8.113	\$1,766,037.84
8/6/08	TETRAct-HIB	103,050	\$8.113	\$836,044.65
5/8/08	Trimovax	95,100	\$8.2084	\$780,618.84
5/8/08	Pentaxim	80,020	\$31.8157	\$2,545,892.31
7/25/08	Pentaxim	370,293	\$31.8157	\$11,781,131.00
5/8/08	Imovax Polio	342,910	\$7.5781	\$2,598,606.27
4/2/09	Trimovax	46,660	€6.15	€286,959.00

The contracts state that Olden Group will supply to Interfarm vaccines manufactured by Sanofi and provided for payment to Olden Group's bank account in Latvia, through correspondent accounts at New York banks. In total, the MHU paid a mark-up amounting to UAH 2,536,817.56 on the five contracts with Interfarm, when compared to Interfarm's corresponding contracts with Olden Group. While this 2.2 percent approximate markup was within permissible boundaries, the actual markups were

²² Exhibit 163: UA0002232-35; Exhibit 164: UA0002238-41; Exhibit 165: UA0002244-47; Exhibit 166: UA0002261-64; Exhibit 167: UA0002280-83; Exhibit 168: UA0002286-91; Exhibit 169: UA0002265-68; Exhibit 170: UA0002305-08.

almost certainly more significant because Olden Group is a shell company that did not actually perform any work on the contracts. The eight agreements between Interfarm and Olden Group were sham contracts designed to deceive the Ukrainian government. For example, whereas the MHU paid \$8.113 per dose for TETRAct-HIB vaccine, industry sources stated that this vaccine could be purchased for approximately \$2. Likewise, industry sources report that the Trimovax vaccine could be acquired at \$4-5 per dose, but the government paid \$8.2084.

Interfarm used Olden Group to hide the true price that Interfarm paid for the vaccines and thereby increased its profit by charging more than a 10 percent markup. There is no evidence that Olden Group performed any services under the contracts or ever took possession of the vaccines. For example, Olden Group's invoices to Interfarm indicate that Sanofi Pasteur sent the goods directly to Interfarm, through Borispol airport.²³ (Nevertheless, Interfarm stated on customs documentation that Olden Group was the sender of the goods.)²⁴ The contracts between Interfarm and Olden Group were a sham designed to evade Ukrainian law regarding permissible mark-ups and disguise the inflated prices that Interfarm was charging Ukrvaksina. Despite Olden Group's failure to provide any legitimate value under the contracts, Olden Group managed to obtain more than US\$23 million (or approximately UAH 182 million)²⁵ from the scheme with

²³ See, e.g., Exhibit 171: UA0002248; Exhibit 172: UA0002269; Exhibit 173: UA0002270; Exhibit 174: UA0002284; Exhibit 175: UA0002292; Exhibit 176: UA0002294; Exhibit 177: UA0002296.

²⁴ See, e.g., Exhibit 178: UA0002249; Exhibit 179: UA0002271; Exhibit 180: UA0002272; Exhibit 181: UA0002285; Exhibit 182: UA0002293; Exhibit 183: UA0002295; Exhibit 184: UA0002297.

²⁵ The total value of the contracts between Interfarm and Ukrvaksina that were reviewed is UAH 118,390,052.86.

Interfarm during a 13-month period.²⁶ The known transfers of funds from Interfarm to Olden Group's Latvian bank account are summarized in the following table:

Date of Wire	Amount (USD)	Alleged Price Per Dose	Interfarm Bank Account	US Banks Involved	Olden Group Bank Account
6/17/2008	\$2,606,706.90	\$8.113	JSC ProCredit, Ukraine; Acc #00416150	Deutsche Bank, New York, NY; JP Morgan Chase Bank, New York, NY; American Express Bank, New York, NY	Parex Bank, Latvia, Acc. #6084480019
6/17/2008	\$2,545,892.31	\$31.8157	JSC ProCredit, Ukraine, Acc #00416150	Deutsche Bank, New York, NY; JP Morgan Chase Bank, New York, NY; American Express Bank, New York, NY	Parex Bank, Latvia, Acc #6084480019
6/19/2008	\$2,387,911.12	\$7.5781; \$8.2084	JSC ProCredit, Ukraine, Acc #00416150	Deutsche Bank, New York, NY; JP Morgan Chase Bank, New York, NY; American Express Bank, New York, NY	Parex Bank, Latvia, Acc #6084480019
6/19/2008	\$991,313.00	\$7.5781	JSC ProCredit, Ukraine, Acc #00416150	Deutsche Bank, New York, NY; JP Morgan Chase Bank, New York, NY; American Express Bank, New York, NY	Parex Bank, Latvia, Acc #6084480019
8/04/2008	\$3,837,418.84	\$31.8157	JSC ProCredit, Ukraine, Acc #00416150	Deutsche Bank, New York, NY; JP Morgan Chase Bank, New York, NY; American Express Bank, New York, NY	Parex Bank, Latvia, Acc #6084480019

²⁶ See Exhibits 171-177 (cited above). See also Exhibit 185: UA0002332; Exhibit 186: UA0002309; Exhibit 187: UA0002236; Exhibit 188: UA0002242.

Date of Wire	Amount (USD)	Alleged Price Per Dose	Interfarm Bank Account	US Banks Involved	Olden Group Bank Account
8/11/2008	\$3,840,192.16	\$31.8157	JSC ProCredit, Ukraine, Acc #00416150	Deutsche Bank, New York, NY; JP Morgan Chase Bank, New York, NY; American Express Bank, New York, NY	Parex Bank, Latvia, Acc #6084480019
8/12/2008	\$1,766,037.84	\$8.113	JCS ProCredit Ukraine; Acc #00416150	Deutsche Bank; New York, NY; JP Morgan Chase Bank, New York, NY; American Express Bank, New York, NY	Parex Bank, Latvia, Acc. #6084480019
9/03/2008	\$836,044.65	\$8.113	JSC ProCredit, Ukraine; Acc #00416150	Deutsche Bank, New York, NY; JP Morgan Chase Bank, New York, NY; American Express Bank, New York, NY	Parex Bank, Latvia, Acc. #6084480019
10/14/2008	\$4,462,883.69	\$31.8157	JSC ProCredit, Ukraine, Acc #00416150	Deutsche Bank, New York, NY; JP Morgan Chase Bank, New York, NY; American Express Bank, New York, NY	Parex Bank, Latvia, Acc #6084480019
11/6/2008	EUR 68 878,90 (\$87,861.92)	EUR 20,89 (\$26.6473)	JSC ProCredit, Ukraine, Acc #00416150	Deutsche Bank, New York, NY; JP Morgan Chase Bank, New York, NY; American Express Bank, New York, NY	Parex Bank, Latvia, Acc #6084480019
8/03/2009	EUR 286 959,00 (\$410,437.46)	EUR 6.15 (\$8.7963)	JSC ProCredit, Ukraine, Acc #00416150	Deutsche Bank, New York, NY; JP Morgan Chase Bank, New York, NY; American Express Bank, New York, NY	Parex Bank, Latvia, Acc #6084480019

Date of Wire	Amount (USD)	Alleged Price Per Dose	Interfarm Bank Account	US Banks Involved	Olden Group Bank Account
TOTAL:	\$23,772,699.89				

4. *Olden Group LLC*

Olden Group LLC was incorporated on March 25, 2003 and is registered in the United States, in the State of Oregon.²⁷ The members of the company are listed as:

- Worldwide Management Corporation, registered in Belize. The entity was incorporated on January 15, 2002 and is registered at P.O. Box 346 Corozal Town, Belize. P.O. Box 346 is shared by at least five other shell companies, all of whom share the same registered agent, Cititrust International Limited, Belize.²⁸
- International United Holding AG, registered in Niue, a small island in the South Pacific with a population of approximately 1,400 people. The entity was incorporated on January 16, 2002, one day after Worldwide Management Corporation, and is registered at No. 2. Commercial Centre Square, Alofi, Niue. Information from the Niue Registry reports that the company was dissolved on December 31, 2006 as a result of the closure of the Niue International Business Companies Registry. Niue's corporate registry was disbanded after international criticism that it was being used exclusively as a haven for money launderers and tax evaders. Shareholder information is not available for International United

²⁷ Exhibit 189: UA0005784.

²⁸ Exhibit 190: UA0005806.

Holding. The company's registered agent is listed as The International Trust Company of Niue.²⁹

Dennis Smerley is listed on corporate records as affiliated with Worldwide Management Corporation and/or International United Holding.³⁰ Internet research suggests that Smerley is the Director of International United Holding and Curtis M. Hanson is the Director of Worldwide Management Corporation. The investigative team has not identified a public profile for either Smerley or Hanson except for references to their roles at Worldwide Management and International United Holding. Likewise, it does not appear that either Worldwide Management Corporation or International United Holding conduct any corporate activities. Research suggests that both companies are incorporation agents that work together and have incorporated a number of other entities in the United States.

Olden Group has not filed changes to its members, registered agent or principal address since incorporation. From 2005 to 2010, Olden Group has paid the required annual fee but has not filed any documents to indicate that International United Holding has been dissolved.

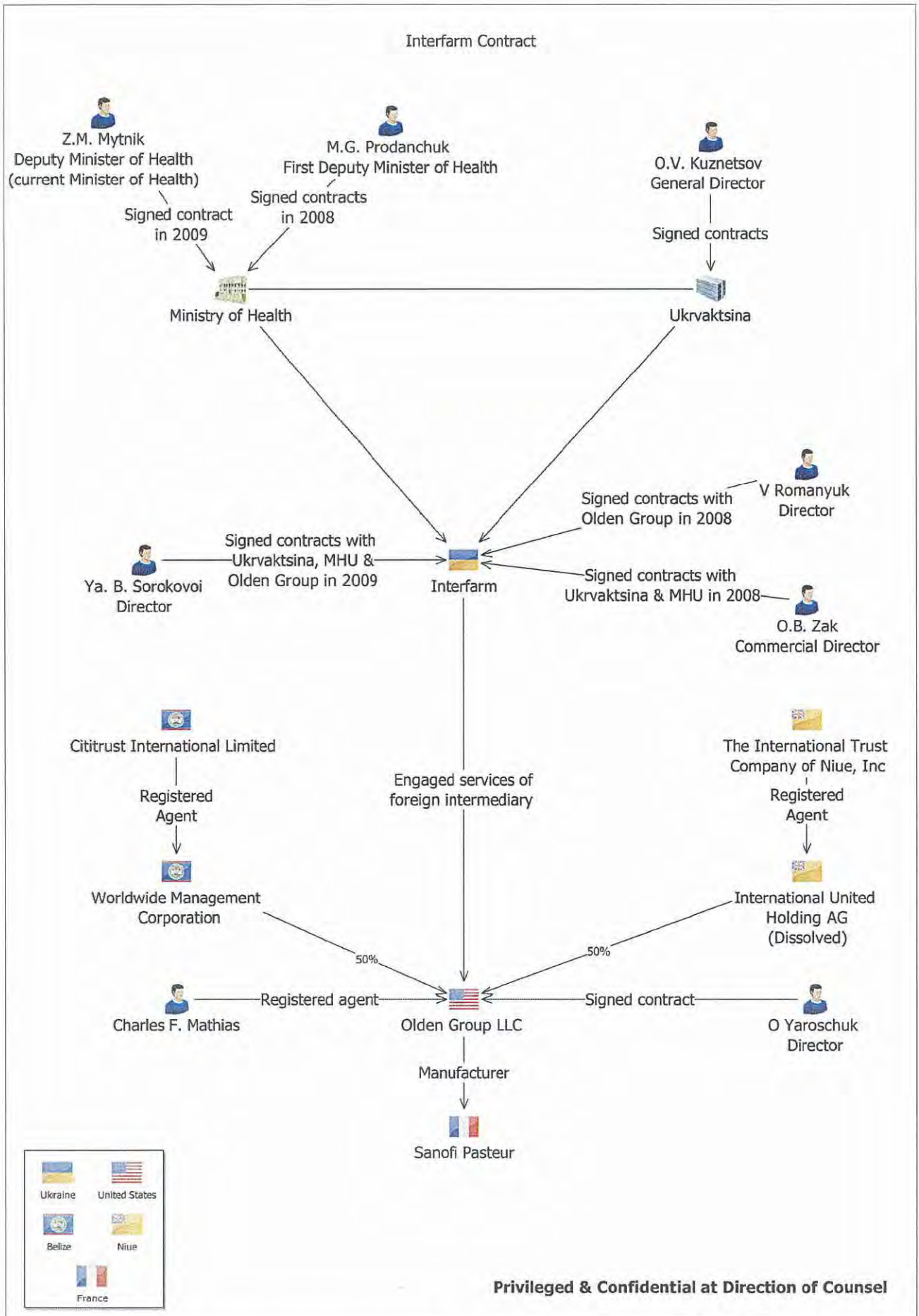
The contracts between Interfarm and Olden Group LLC are signed by purported Director O Yaroschuk. Yaroschuk is not named as an officer of the company in corporate records. Because of the common surname, the investigative team was not able to identify a public profile for this individual. Olden Group does not have a public profile with the

²⁹ Exhibit 191: UA0005676.

³⁰ Exhibit 192: UA0005783.

exception of references in Ukraine in the context of its involvement in the procurement of vaccines by the MHU.

The transactions involving the Ministry of Health, Interfarm, and Olden Group, as well as the ownership of the relevant corporations, are illustrated in the chart on the following page.



B. Imbioimpex

1. Corporate Profile

The limited liability company OOO Imbioimpex is among the companies that are well known on the Ukrainian market for supply and distribution of pharmaceuticals and medical products and is one of the top suppliers of medical products under state procurements contracts. Publications have noted that there are only a few main suppliers of vaccines, with Imbioimpex being one of those.³¹

Imbioimpex was incorporated on 7 December 2006 and reports its registered office address as 02160 Kyiv, Dneprovskiy district, prospekt Vossoedineniya 7-a, telephone number 5591027. The company was founded and is currently wholly owned by Aleksey Sergeevich Savchenko. Savchenko is also the head of the company.

Savchenko was formerly head of state-owned enterprise Ukrvaktsina, where he accumulated an extensive network of contacts.³² He began as a Deputy Director when Ukrvaktsina was first established circa 1994 and left approximately five years later to join MedAtom, the predecessor of Imbioimpex. Savchenko subsequently returned to Ukrvaktsina as General Director but was dismissed a year later and proceeded to set up Imbioimpex.

2. Five Contracts Were Analyzed

The Investigative Firms reviewed and analyzed the five vaccine procurement contracts between the MHU, Imbioimpex, and the state enterprise Ukrvaktsina, including

³¹ Zerkalo Nedeli, 21.11.2009

³² Interview of confidential source, August 25, 2010.

the tender process and the manner in which the vaccines were supplied. The following five contracts were analyzed:

- Government Contract 1/14 signed on May 27, 2008 for 1,325,230 units of Anti-polio vaccine type 1, 2, 3 at UAH 1.75 per unit. The total value of the contract was UAH 2,319,152.50.³³
- Government Contract 1/15 signed on May 27, 2008 for 102,830 units of Rabies vaccines at UAH 30.00 per unit. The total value of the contract was UAH 3,084,900.³⁴
- Government Contract 1/16 signed on May 27, 2008 for 108,625 units of TB vaccine at UAH 1.80 per unit. The total value of the contract is UAH 195,525.³⁵
- Government Contract 1/7 signed on February 9, 2009 for 57,200 units of Rubella vaccine at UAH 30.00 per unit. The total value of the contract is UAH 1,716,000.³⁶
- Government Contract 1/10 signed on February 9, 2009 for 1,041,100 units of Anti-polio vaccine type 1, 2, 3 at UAH 2.90 per unit. The total value of the contract was UAH 3,019,190.³⁷ The unit price of the vaccine has increased almost 66% since 2008 when the price of one unit was UAH 1.75 (Government Contract 1/14).

³³ Exhibit 193: UA0001042.

³⁴ Exhibit 194: UA0001053.

³⁵ Exhibit 195: UA0001063.

³⁶ Exhibit 196: UA0001102.

³⁷ Exhibit 197: UA0001117.

3. *There Were Significant Irregularities in the Tender Process*

On each of the five tenders, Imbioimpex was the lowest bidder. The only other bidders on the tenders won by Imbioimpex were MedAtom, Interfarm, and Tri-TsAS.³⁸ However, the addresses of Imbioimpex and MedAtom are identical.³⁹ Although the two entities purport to list different phone numbers, both numbers when dialed reach Imbioimpex. When investigators contacted the number listed for MedAtom, the respondent on the phone stated that it was the number of Imbioimpex and the address of the entity was Office 223, 7-a Vozzyednannya. Another call was made to the number listed as Imbioimpex, and the same individual that answered the first call, again confirmed that the address of the entity that was reached was Office 223, 7-a Vozzyednannya. A source indicated that Imbioimpex was the predecessor to MedAtom and that the entity's director, Aleksey Savchenko, has worked for both companies.⁴⁰ This strongly suggests that Imbioimpex used MedAtom to create the appearance of competition in the tender process.

In four out of five tenders, Imbioimpex's bid price was higher than the available budget of the MHU to spend on the specified vaccine. In the acceptance to Imbioimpex, MHU stipulate that fewer vaccines are to be acquired than stated in the initial tender documents, in order to ensure that the budgetary limit is not exceeded.

Moreover, in one instance – the rabies vaccine tender in April 2008 – Imbioimpex bid exactly the same amount for the tender as was available in the government budget

³⁸ See generally Exhibit 198: UA0003114.

³⁹ *Id.*

⁴⁰ Interview of confidential source, August 25, 2010.

(UAH 3,084,900).⁴¹ One reasonable conclusion is that Imbioimpex knew the budget limit in advance of submitting its tender.

4. *The Government Contracts Obtained by Imbioimpex Totaled More Than UAH 10 Million*

The total value of the five contracts amounts to UAH 10,334,767.50. The first three government contracts, all signed in 2008, stipulated that Ukrvaksina shall make a 100 percent prepayment of the total price of the goods to Imbioimpex. The latter two contracts, both signed in 2009, stipulate that the payment of the goods shall be made within seven days from the date of delivery of the goods.

The contracts are signed by Deputy Minister of Health Z.M. Mytnyk on behalf of MHU and General Director O.S. Savchenko on behalf of Imbioimpex.

5. *Imbioimpex Entered Into Sham Contracts with Foreign Shell Companies To Disguise Mark-Ups*

Imbioimpex entered into four contracts with a New Zealand entity called Hostas Limited and one contract with a Seychelles company named Virion GmbH, relating to the MHU contracts.⁴² The contracts and invoices instructed Imbioimpex to transfer payment to Hostas' bank account in Latvia and to Virion's bank account in Lithuania.⁴³

Hostas Limited is a classic shell company. Hostas was incorporated on June 11, 2007,⁴⁴ six months after Imbioimpex was incorporated. Hostas is registered at 69 Ridge Road, Albany, Auckland, which is the registered office address of Company Net

⁴¹ See Exhibit 198 (cited above).

⁴² Exhibit 199 : UA0001076; Exhibit 200: UA0001084; Exhibit 201: UA0001111; Exhibit 202: UA0001128; Exhibit 203: UA0001093.

⁴³ Exhibit 204: UA0002668-2675.

⁴⁴ Exhibit 205: UA0005672.

Limited,⁴⁵ a New Zealand-based company formation agent. Hostas listed a different address on the contracts with Imbioimpex at Unit C, 396 Rosedale Road, Albany, Auckland, New Zealand. This is the address of Register a Company,⁴⁶ an online company registration website.⁴⁷ The original application to incorporate Hostas Limited was submitted by Register a Company.

The address for communication for Hostas Limited is provided in its most recent annual filing as PO Box 301135, Albany, Auckland,⁴⁸ which is the postal address for Company Net as listed on Company Net's website.⁴⁹ At the time of incorporation, the address for communication provided for Hostas was in Latvia at 22 Antonijas Str, 21 Riga LV-1010. Research indicates that more than 140 companies are registered at this address.

Hostas submitted filings declaring it to be inactive during the accounting periods ending March 31, 2008 and March 31, 2009.⁵⁰ This was during the period that Imbioimpex contracted with Hostas. Hostas does not have a public profile, and no website has been identified for the entity. In the contracts with Imbioimpex, Hostas is represented by the purported company President, Oliver Pen. Pen does not have a public profile and is not connected to Hostas in corporate records, and no individual by that name has been identified in New Zealand. The sole director and shareholder of the company is an individual resident in Panama who is an officer of at least seventeen

⁴⁵ Exhibit 206: UA0005675.

⁴⁶ Exhibit 207: UA0005985.

⁴⁷ Exhibit 208: UA0005989.

⁴⁸ Exhibit 209: UA0005671.

⁴⁹ Exhibit 210: UA0005990.

⁵⁰ Exhibit 211: UA0005673; Exhibit 212: UA0005674.

entities. This individual's profile suggests that she is working as an incorporation agent and a nominee officer rather than beneficial owner of these entities. Prior to April 2009, the company was wholly owned by Bestwide Enterprise SA, which is registered at the same address as Hostas' director in Panama. The address is also shared by Panama Legal Consultants, a Panamanian law firm providing offshore incorporation services.⁵¹

Virion GmbH was incorporated on November 11, 2005 and is registered at 306 Victoria House, Victoria, Mahe, Seychelles.⁵² This is the address of its agent, the Seychelles incorporation agency Intershore Consult (Pty) Ltd.⁵³ The company's website reports that Intershore Consult incorporates entities in offshore jurisdictions including the Seychelles, Belize and Panama.⁵⁴

In the contracts with Imbioimpex, Virion is also represented by the company Director, Oliver Pen, who is also the company President at Hostas Limited. Pen does not appear to have a public profile. The company's status is registered as "not in good standing" as it has failed to pay the annual registration fee.

6. *Pricing Data Strongly Suggests that Actual Mark-Ups Exceeded 10% Limit*

In total, MHU paid a mark-up of UAH 554,004.49 on the five contracts with Imbioimpex. However, that figure does not begin to capture the true mark-ups, which evidence suggests that Imbioimpex concealed by using another layer of intermediaries, Hostas and Virion. Confidential sources revealed manufacturers' prices to be substantially lower than the prices charged by Imbioimpex. For example, whereas the

⁵¹ Exhibit 213: UA0005991.

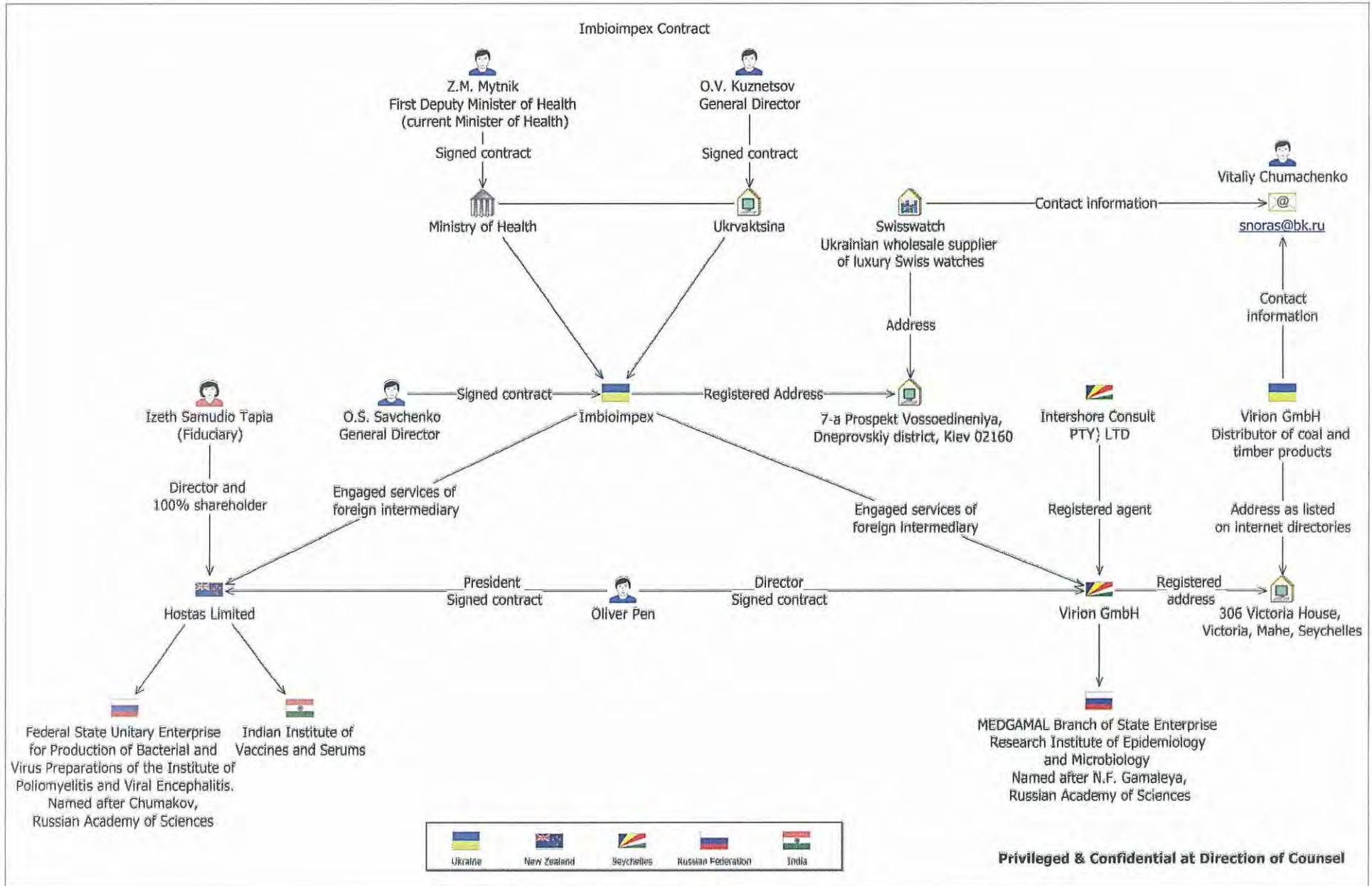
⁵² Exhibit 214: UA0005805.

⁵³ Exhibit 215: UA0005993.

⁵⁴ Exhibit 216: UA0005998.

MHU paid UAH 30 per dosage of rubella vaccine, and Imbioimpex reported that it paid UAH 29.65, research revealed that a manufacturer's price should have been approximately UAH 9.48, meaning that Imbioimpex may have marked up the vaccines by 300 percent.

The transactions involving the Ministry of Health, Imbioimpex, Hostas, and Virion, as well as the ownership of the relevant corporations, are illustrated in the chart on the following page.



C. United Medical Service

1. *Corporate Profile*

United Medical Service (“UMS”) was initially incorporated as Elsint Medical Service on August 11, 1997, and changed its name on December 30, 1999. United Medical Service identifies itself as an exclusive distributor for Chinese company Beijing Wandong Medical Equipment Co., Ltd, and an official distributor for the US company Codonics Inc. and the Japanese company Konica Minolta. United Medical Service is reported as a winner of a number of tenders, including a UAH 30 million contract for the supply of medical, orthopedic and surgical equipment for roentgen diagnostics with the MHU in October 2008.

2. *Government Contracts*

The Ministry of Health of Ukraine, United Medical Service Limited, and the state enterprises Urkmedpostach or Politechmed entered into three trilateral contracts in relation to the provision of medical equipment:

- Government Contract No 13IT, signed on December 3, 2007, for 29 units of Diagnostic Radiography Systems HF 51, KODAK Point of care CR 140 System and KODAK Dry View 8150 Laser Imager. The total value of the contract was UAH 34,626,000.⁵⁵ The manufacturers under this contract are stipulated as Beijing Wandong Medical Equipment Co Ltd (China) for the HF51 system and Caresteam Health Inc (USA), Orex Computed Radiography Ltd (Israel), Agfa-

⁵⁵ Exhibit 217: UA0002676-2682.

Cevaert HealthCare GmbH (Germany), ContextVision AB (Sweden), Rayco Medical Products Company Limited (China) for the KODAK equipment.

- Government Contract No. 76T-2008, signed on October 16, 2008, for 26 units of X-Ray Diagnostic Systems HF 51 and medical dry-ink printer Horizon GS. The total value of the contract was UAH 30,758,000.⁵⁶ The manufacturers under this contract are Beijing Wandong Medical Equipment Co Ltd (China) and Codonics Inc (USA).
- Government Contract No 112T-2008, signed on October 31, 2008, for 2 units of Magnetic Resonance Diagnostic System i_open 0.36T and Medical Dry-Ink Printer Horizon GS. The total value of the contract was UAH 10,750,000.⁵⁷ The manufacturers under this contract were Beijing Wandong Medical Equipment Co Ltd (China) and Codonics Inc (USA).

The total value of the three contracts was UAH 76,134,000. All three contracts stipulate that the state enterprise shall make a 100% prepayment of the total price of the goods to United Medical Service. On behalf of the MHU, the first contract in 2007 is signed by Deputy Minister of Health B.G. Bidnyy, and the two contracts in 2008 are signed by Deputy Minister of Health Z.M. Mytnik. Each contract is signed by General Director O.V. Mayboroda on behalf of United Medical Services.

3. *Contracts with Foreign Shell Companies*

United Medical Service entered into four contracts with a UK entity called Jade Commercial that related to UMS' contracts with the MHU. The total value of those four

⁵⁶ Exhibit 218: UA0002751-2758.

⁵⁷ Exhibit 219: UA0002718-2725.

contracts was US\$9,714,283.72.⁵⁸ The Investigative Firms did not review any evidence that would suggest that Jade Commercial performed any work or added any value under the contract. Instead, a reasonable conclusion is that Jade Commercial existed merely to conceal the manufacturers' prices and enable UMS to earn a larger profit.

Moreover, UMS and Jade entered into sham "supply" contracts well before UMS was awarded the trilateral contracts with the Ministry. As reflected in the chart below, the sham contracts were executed between 113 and 278 days before the government contracts between UMS and the government, and are for the exact same quantity of goods.

Government Contract	Sham Contracts Between UMS and Jade	Days by Which Sham Contract Preceded Government Contract
- Oct. 16, 2008 , No. 76T-2008. Parties: UMS, Ministry of Health and Politehkmed. Materials: 26 X-ray machines & 26 printers. Value: UAH 30,758,000.	- March 3, 2008 , No. 0108-COM-UA. Parties: UMS & Jade. Materials: 26 X-ray machines & 26 printers. Value: UAH 30,370,984	228
- Oct. 31, 2008 , No. 112T-2008. Parties: UMS, Ministry of Health and Politehkmed. Materials: 2 MRI Machines & 2 Printers. Value: UAH 10,750,000	- July 10, 2008 , No. 0208-UA. Parties: UMS & Jade. Materials: 2 MRI Machines & 2 Printers. Value: UAH 5,330,270 - June 2, 2008 No. 0108-UA. Parties: UMS & Jade. Materials: 8 printers. Value UAH 426,756	113 151
- Dec. 3, 2007 , No. 131T-2007. Parties: UMS, Ministry of Health, Ukrmedpostach. Materials: 29 x-ray diagnostic systems sets, including x-ray, digital radiography system, & simulated luminophors. Value: UAH 34,626,000	- March 1, 2007 , 0107-UA. UMS & Jade. Materials: 29 x-ray diagnostic systems sets, including x-ray, digital radiography system, & simulated luminophors. Value: UAH 23,139,100	278

⁵⁸ Exhibit 220: UA0002702-2710; Exhibit 221: UA0002759-2769; Exhibit 222: UA0002743; Exhibit 223: UA0002726-2735.

After receiving payment in full from the government, UMS wired funds from its bank account in Ukraine to Jade's account in Latvia. The sham contracts between UMS and Jade also serve to shield the manufacturer prices and, therefore, to minimize the reported markups. Therefore, the true markups are significantly higher than the difference between the UMS sale price and the Jade sale price.

UMS also contracted with Emansis, a Ukrainian company, for the supply of equipment. The total value of the contract was UAH 11,486,900. Juri Vitman, the sole director of Eurostate Corporation, which is the foreign intermediary on the Tri-TsAS contracts as described below, is also a director of an entity in the UK called Emansis Limited, which is registered at the same address in London as Eurostate.⁵⁹

4. *Jade Commercial Limited*

Jade Commercial Limited was incorporated on December 18, 1998 in the UK and is registered at Suite 3, 1 Duchess Street, London W1W 6AN.⁶⁰ This is the same address as Legal Business Consultants in the UK, which was mentioned above as the supplier of vehicles to ISS Ukraina that were ultimately supplied to the Ministry of Emergency Situations. On contracts and invoices to United Medical Service, Jade Commercial lists a different address at 10 Cromwell Place, South Kensington, London, SW7 2JN. This is the registered address of the company's shareholders.

Jade Commercial was dormant until 2002 and has only filed abbreviated accounts since that date. For the year ending December 31, 2009, Jade reported net assets of

⁵⁹ Exhibit 224: UA0005640.

⁶⁰ Exhibit 225: UA0005743.

£44,054 compared with £39,917 in 2008.⁶¹ The company does not have a website or a public profile.

Michael Stuart Ross, a British national, has been the company director since February 12, 2009.⁶² Ross signed the four contracts on behalf of Jade Commercial with United Medical Service. Ross does not have any other current UK appointments; however, in the early 1990s he was a director of Heathfield Terminal Company Limited, where his occupation was listed as a marketing operations manager.⁶³

Prior to February 2009, the directors of Jade Commercial were:

- Legal Directors Ltd (Comp NBR 3368733) from incorporation to 9 June 2003.
- Legal Directors Limited from 25 June 2003 to 3 August 2006.
- Subscriber Directors Limited from 3 August 2006 to 12 February 2009.

All three entities are registered at 10 Cromwell Place, South Kensington SW7 2JN, the same address as listed for Legal Business Consultants. According to its latest annual return filed in December 2009, Jade Commercial was owned at that time by Legal Directors Limited and Legal Secretaries Limited.⁶⁴ Both companies were joint shareholders of Jade Commercial during the period of the contracts with United Medical. However, both entities were dissolved in 2009. Legal Directors Limited was dissolved on March 24, 2009 and had not traded since its incorporation on June 24, 2003.⁶⁵ Legal Secretaries was dissolved on December 22, 2009 and also had not traded since its

⁶¹ Exhibit 226:UA0005739.

⁶² Exhibit 227: UA0005774.

⁶³ Exhibit 228: UA0005773.

⁶⁴ See Exhibit 226, cited above.

⁶⁵ Exhibit 229: UA0005771.

incorporation on May 9, 1997.⁶⁶ Legal Secretaries Limited's occupation is listed as a formation agent in UK corporate filings. That entity acted as the secretary for a number of entities affiliated with the directors of Legal Business Consultants, including Diligent Data Limited, Legal Business Consultants, and Tynney Directors Limited.

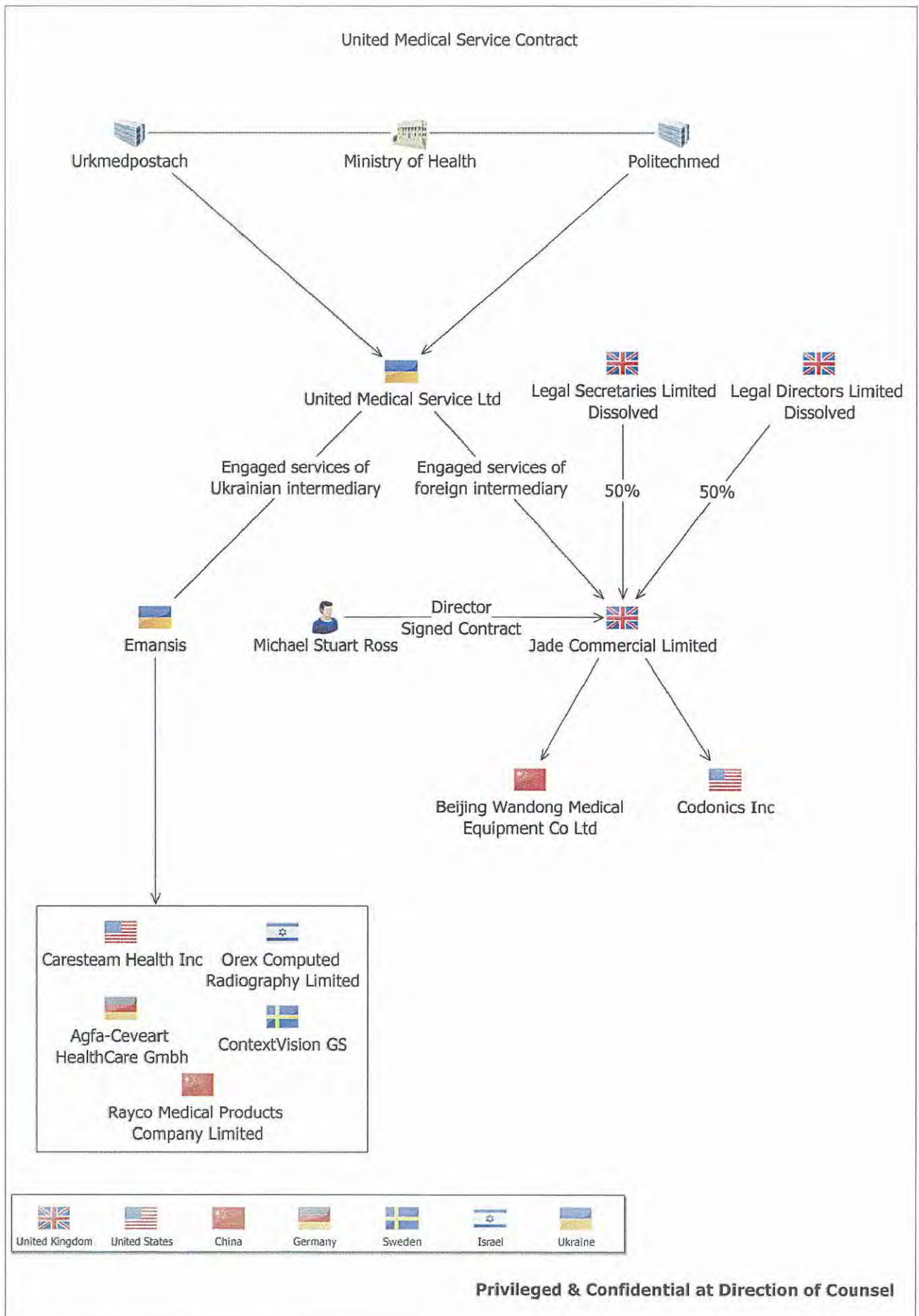
5. *Pricing Data*

In total, MHU paid a mark-up between UAH 1,132,237.62 and UAH 1,141,936.62 on the three contracts with UMS. However, that figure does not begin to capture the true mark-ups over the manufacturer's price, which UMS did not have to report because UMS used another layer of intermediaries, including Jade Commercial. Confidential sources revealed manufacturers' prices to be substantially lower than the prices charged by UMS, as reflected by the estimates in the following chart.

⁶⁶ Exhibit 230: UA0005772.

Equipment	Manufacturer	Govt contract	Imbiompex contract	Govt price		UMS Price		Manufacturer's price	
				UAH	USD	UAH	USD	UAH	USD
Diagnostic Radiography Systems HF 51	Beijing Wandong Medical Equipment Co Ltd (China)	No. 131T	No. 0107-UA			797,900.00 rph.	\$158,000	481,412.01 UAH - 923,364.02 UAH	\$61,000-\$117,000
KODAK Point of care CR 140 System and KODAK Dry View 8150 Laser Imager	Caresteam Health Inc (USA), Orex Computed Radiography Ltd (Israel), Agfa-Cevaert HealthCare GmbH (Germany), ContextVision AB (Sweden), Rayco Medical Products Company Limited (China)		0109-2007	1,194,000.00 rph.	\$236,435.64	396,100.00 rph.	\$78,435.64	Not available	Not available
X-Ray Diagnostic Systems HF 51	Beijing Wandong Medical Equipment Co Ltd (China)	No. 76T-2008	0108 COM-UA	1,183,000.00 rph.	\$167,326.73	1,094,964.79 rph.	\$142,203.22	481,412.01 UAH - 923,364.02 UAH	\$61,000-\$117,000
Medical dry-ink printer Horizon GS	Codonics Inc (USA)					73,150.00 rph.	\$9,500.00	Not available	Not available
Magnetic Resonance Diagnostic System I_open 0.36T	Beijing Wandong Medical Equipment Co Ltd (China)	No 112T-2008	0208UA	5,375,000.00 rph.	\$1,109,230.86	4,482,272.50 rph.	\$925,000.00	3,482,702.15 rph.	\$441,027.18
Medical Dry-Ink Printer Horizon GS	Codonics Inc (USA)		0108UA			48,495.00 rph.	\$10,000.00	Not available	Not available
						58,194.00 rph.	\$12,000.00	Not available	Not available

The transactions involving the Ministry of Health, United Medical Service, Emansis, and Jade, as well as the ownership of the relevant corporations, are illustrated in the chart on the following page.



D. Tri-Tsentralny Aptechny Sklad

1. *Summary of Key Findings*

- Use of Foreign Intermediaries and No Work Contracts To Create the Appearance of Complying With Ukrainian Law Limiting Mark-ups and Evading Taxes: Six government contracts between Tri-Tsentralny Aptechny Sklad (“Tri-TsAS”), the Ministry of Health (MHU), and Ukrvaksina were reviewed. The six contracts totaled UAH 165,015,071.48. On paper, Tri-TsAS marked the vaccines up UAH 3,933,946.35 over their customs value, or 2.44 percent. However, Tri-TsAS claimed to have bought the vaccines through foreign intermediaries and thereby avoided having to report the manufacturer’s prices. Tri-TsAS appeared to comply with Ukrainian law limiting pharmaceutical mark-ups to 10 percent but was masking its true profit.
- Tri-TsAS Entered Into Contracts With Foreign Intermediaries Before It Won MHU Tenders: Tri-TsAS informed the government that Tri-TsAS had purchased four of the vaccines from a UK company called Eurostate Corporation. However, the evidence reviewed does not show that Eurostate performed any services, suggesting that Eurostate was present merely to conceal the actual purchase price. A \$20 million contract between Tri-TsAS and Eurostate was signed on February 1, 2008, over a month before any contract between Tri-TsAS and the MHU.
- Prepayments Ultimately Transferred to Latvian Bank Accounts: Tri-TsAS was usually paid in full by Ukrvaksina well in advance of supplying the vaccines. Tri-TsAS then wired the vast majority of funds received into Eurostate’s Latvian

bank account. Eurostate's director is a Latvian incorporation agent, Juri Vitman.⁶⁷ Vitman is also a director of a UK company called Emansis, which contracted with United Medical Service (UMS) in relation to the purchase of medical equipment for Ukraine.

- Lack of Competition: Tri-TsAS and another Ukrainian entity and frequent government contractor, Ganza, appeared to compete with each other on tenders won by Tri-TsAS. But after winning the "competition," Tri-TsAS turned around and purchased many of the vaccines from Ganza. Another so-called competitor was an affiliate of Tri-TsAS.

2. *Corporate Profile*

Tri-TsAS is well known on the Ukrainian market for supply and distribution of pharmaceuticals and medical products and is among the top-suppliers of medical products under state procurements contracts. According to corporate records, the limited liability company OOO Tri-Tsentralny aptechny sklad was incorporated on February 11, 1997 and was assigned state registration number 24725736. Tri-TsAS maintains an official website at <http://www.tricas.com.ua/>, according to which Tri-TsAS has been operating on the Ukrainian pharmaceutical market since 1996.

Dmitry Alekseevich Zavtur is reported as current head of the company. The current shareholders are Gennady Nikolaevich Chernichenko (60%), Maksim Borisovich Gromov (15%), and Zavtur (25%). Tri-TsAS' website states that it is an official

⁶⁷ Exhibit 231: UA0005667.

distributor for Belgian company GlaxoSmithKline and many other Ukrainian and foreign companies.

References were found to Tri-TsAS winning tenders for state procurement of cancer medications as early as August 2000.⁶⁸ In 2009, Tri-TsAS, together with Interfarm and Ganza, was included into the top five contractors for state procurement by MHU. Tri-TsAS was reported to have received UAH 137.9 million worth of orders in 2009.⁶⁹ In May 2010, the Ministry of Economics published information about contracts to procure vaccines that MHU concluded between April 13-15, 2010. Tri-TsAS was reported as among the largest recipient of funds, obtaining UAH 10.2 million. According to the Ministry of Economics, Farma Life, which was identified as an affiliate of Tri-TsAS, received UAH 80.6 million. Farma Life was the only other company that competed with Tri-TsAS on several of the vaccine tenders under investigation.

3. *Bidding Process*

The following chart shows the bidders that participated in the tender process for each of the six contracts involving Tri-TsAS that were reviewed.

⁶⁸ Exhibit 232: UA0005999.

⁶⁹ Дело (Киев) ; 03.02.2010

No.	Vaccine	Bidder	Bid Price	Manufacturer
1	Hiberix	Tri-Centralny Aptechny Sklad LLC	20,309,121.00 грн.	GlaxoSmithKline Biologicals s.a.
		Farma BS LLC	12,295,710.00 грн.	Centre of Genetic Engineering and Biotechnology, National centre of Bio Apparatus, Cuba
		Farma Life	20,563,515.00 грн.	GlaxoSmithKline Biologicals s.a.
		Interfarm LLC	22,047,480.00 грн.	Sanofi Pasteur
2	Infanrix	Tri-Centralny Aptechny Sklad LLC	35,227,696.00 грн.	GlaxoSmithKline Biologicals s.a.
		Farma Life	35,964,315.00 грн.	GlaxoSmithKline Biologicals s.a.
		Interfarm LLC	36,830,925.00 грн.	GlaxoSmithKline Biologicals s.a.
3	SSI/BCG	Tri-Centralny Aptechny Sklad LLC	6,712,640.00 грн.	Statens Serum Institute
		Interfarm LLC	7,628,000.00 грн.	Statens Serum Institute
4	Hiberix	Tri-Centralny Aptechny Sklad LLC	42,444,480.00 грн.	GlaxoSmithKline Biologicals s.a.
		Farma Life	44,571,000.00 грн.	GlaxoSmithKline Biologicals s.a.
5	Infanrix	Tri-Centralny Aptechny Sklad LLC	71,904,400.00 грн.	GlaxoSmithKline Biologicals s.a.
		Farma Life	76,380,000.00 грн.	GlaxoSmithKline Biologicals s.a.
6	SSI/BCG	Tri-Centralny Aptechny Sklad LLC	14,271,488.00 грн.	Statens Serum Institute
		Ganza	14,717,472.00 грн.	Statens Serum Institute

On five of the six tenders, Tri-TsAS was the lowest bidder. The only other bidders on the tenders won by Tri-TsAS were Interfarm, LLC, Farma-Life, Farm-BS LLC, and Ganza. As indicated above, it has been suggested that Farma Life and Tri-TsAS were affiliated and that there was no real competition between them.

Similarly, Tri-TsAS and Ganza competed for the SSI vaccine tender, which was valued at UAH 14.27 million. Tri-TsAS won the tender but then purchased all of the vaccines from Ganza. One inference to be drawn from this activity is that Tri-TsAS and Ganza colluded in submitting their bids so that both companies could benefit. Ganza, along with Tri-TsAS and Interfarm, was also included in a list of the top five contractors for state procurement by the MHU. Ganza received UAH 188.5 million worth of orders in 2009.⁷⁰ Ganza was founded by and is currently co-owned by Mikhail Dmitrievich Kuchirk and Petro Ivanovich Bagriy. Bagriy is a business partner of Yury Konstantinov, the Head of the MHU's department on regulatory policy in the area of turnover of medications in the healthcare system.⁷¹ Bagriy and Konstantinov co-founded together TOV Matrix and TOV Emergencia 2004. This represents a potential conflict of interest when Ganza bids on a MHU tender.

In all six tenders, Tri-TsAS's bid price was higher than the available budget of the MHU to spend on the specified vaccine. The tender procedures do not permit the MHU to negotiate with a bidder for a lower price. Instead, the MHU must accept the lowest offer that meets all the published requirements, so long as there are at least two bidders. If the lowest bid exceeds the budgeted amount, the MHU purchases fewer vaccines so

⁷⁰ Дело (Київ) ; 03.02.2010

⁷¹ *Id.*

that the overall budget allotments are not exceeded. This system creates an incentive for bidders to collude and fix the tender process. This is especially likely where there are only two bidders, as there were for four of the six Tri-TsAS contracts.

4. *Government Contracts*

The investigation analyzed the following six government contracts between the Ministry of Health of Ukraine, the Ukrainian intermediary Tri-TsAS, and the state enterprise Ukrvaksina, in relation to the provision of medical vaccines:

- Government contract No 1/5, signed on March 19, 2008 for the supply of 416,023 units of Hiberix at a unit price of UAH 47.90 per unit. The contract specifies that the vaccines will be acquired from GlaxoSmithKline Biologicals, Belgium. The total value of the contract was UAH 19,927,501.70.⁷²
- Government contract No 1/9 signed on March 20, 2008 for the supply of 424,777 units of Infanrix at a unit price of 81.30 per unit. The contract specifies that the vaccines will be acquired from GlaxoSmithKline Biologicals, Belgium. The total value of the contract was UAH 34,534,370.10.⁷³
- Government contract No 1/11 signed on May 13, 2008 for the supply of 610,240 units of SSI/BCG Vaccine at a unit price of UAH 11 per unit. The contract specifies that the vaccines will be acquired from Statens Serum Institut, Denmark. The total value of the contract was UAH 6,712,640.⁷⁴ This contract was amended

⁷²Exhibit 233: UA0000932-940.

⁷³ Exhibit 234: UA0001028-32.

⁷⁴ Exhibit 235: UA0002588-98.

on May 14, 2008 reducing the number of vaccines to 582,918 and the total contract value to UAH 6,412,098.

- Government contract No 1/3 signed on February 9, 2009 for the supply of 450,000 units of Hiberix at a unit price of UAH 79.04 per unit. The contract specifies that the vaccines will be acquired from GlaxoSmithKline Biologicals, Belgium. The total value of the contract was UAH 35,568,000. However; an additional agreement was signed on May 25, 2009, which changed the price to UAH 78.18, bringing the total contract value to UAH 35,181,000 for 450,000 units of Hiberix.⁷⁵
- Government contract No 1/5 signed on February 9, 2009 for the supply of 450,000 units of Infanrix at a unit price of UAH 134.15 per unit. The contract specifies that the vaccines will be acquired from GlaxoSmithKline Biologicals, Belgium. The total value of the contract was UAH 60,367,500.⁷⁶ Six additional agreements were signed between July and October 2009 which recalculated the price per unit of the vaccines. The final contract value amounted to UAH 59,348,856.79 for 433,391 units at a price per unit of UAH 136.94.
- Government contract No 1/4, signed on February 9, 2009 for the supply of 497,940 units of SSI/BCG Vaccine at a unit price of UAH 17.60. The contract specified that the vaccines would be acquired from Statens Serum Institut, Denmark. (Ganza is the licensed distributor in Ukraine for Statens Serum Institut.)
The total value of the contract was UAH 8,763,744. However, an additional

⁷⁵ Exhibit 236: UA0002609-19.

⁷⁶ Exhibit 237: UA0002620-35.

agreement was signed on June 4, 2009, which made the total value of the contract UAH 8,713,285.20 – an average price per unit of UAH 17.50.⁷⁷

The total value of the six contracts amounted to UAH 165,015,071.48. The first three contracts in 2008 stipulated that Ukrvaksina shall make a 100% prepayment of the total price of the goods to Tri-TsAS. The latter three contracts in 2009 provided that payment should be made within seven business days from the date of delivery.

The six government contracts were signed by General Director O.V. Kuznetsov on behalf of the State enterprise Ukrvaksina and Director, Alla Volodymyrivna Tkachenko on behalf of Tri-TsAS. On behalf of the MHU, the first two contracts were signed by First Deputy M. Prodanchuk and the latter four contracts were signed by First Deputy Z.M. Mytnyk.

5. *Contracts with Foreign Shell Company*

Tri-TsAS purported to fulfill four of the six government contracts by engaging the services of a UK-registered entity called Eurostate Corporation Limited. Tri-TsAS claimed that the remaining two contracts were supplied by Ukrainian entity Ganza.⁷⁸ There is no evidence that Eurostate or Ganza performed any work on the contracts. They did not manufacture the goods. They did not ship the goods. They did not take possession of the goods. Rather, the most reasonable conclusion to draw is that Eurostate and Ganza served entirely to hide the manufacturer's prices and enable Tri-TsAS to markup the price that it had paid by more than 10 percent.

⁷⁷ Exhibit 238: UA0001010-20.

⁷⁸ Exhibit 239: UA0001022; Exhibit 240: UA0002599.

Tri-TsAS signed one agreement with Eurostate and two agreements with Ganza that related to Tri-TsAS contracts with the MHU. Payment to Eurostate was made to its bank account in Latvia,⁷⁹ a known money laundering jurisdiction. Tri-TsAS signed the agreement with Eurostate – Contract №GB/TRY-02-2008, dated February 1, 2008 for US\$20,000,000 – before the first government contract was signed.⁸⁰

Eurostate Corporation Limited was incorporated in the UK on January 25, 2002. It is registered at 48 Queen Anne Street, London W1G 9JJ. Eurostate shares this address with many other UK companies, including Emansis UK. Eurostate provided a second UK address on the contract and invoices at 39 Wetherby Mansions, Earls Court Square, London, SW5 9BH. Similarly, multiple UK companies are registered at this address.

According to the most recent annual accounts of Eurostate Corporation for the year ending January 31, 2010, the company's principal business activity is serving as a trade agent for pharmaceutical goods, for which it receives commission.⁸¹ In 2008, the year in which Tri TsAS signed a contract for US \$20 million with Eurostate, the company only recorded income from ordinary activities of £1,900.⁸² This income is categorized as commission. In 2009, income from commission is recorded as £1,880.

This filing is inconsistent with the sales figures Tri-TsAS reported to the Ukrainian government through contracts and customs forms.

⁷⁹ See, e.g., Exhibit 241: UA0002659; Exhibit 242: UA0002663; Exhibit 243: UA0002664.

⁸⁰ Exhibit 244: UA0000944-47.

⁸¹ Exhibit 245: UA0005664.

⁸² Exhibit 246: UA0005661.

Juri Vitman, a Latvian national, was appointed as a director of the company on September 27, 2008. Vitman has 218 other appointments at UK companies.⁸³ His occupation is listed as a business consultant. His most recent address is listed in Dublin, Ireland. Vitman does not have a public profile online or in the media. Vitman is also a director of a UK company called Emansis Limited. As noted above, United Medical Services contracted with Emansis in relation to the purchase of medical equipment.

The contracts with Tri TsAS are signed by Vadim Simakov on behalf of Eurostate Corporation Limited. Simakov is not associated with Eurostate Corporation in corporate records and no public profile has been identified for him.

Eurostate has been owned by a shell company called Transhold Corporation Limited, which is based in Hong Kong. Transhold, in turn, is owned by two shell companies located in the Bahamas, Inhold Ltd. and Multihold Ltd.⁸⁴ None of these companies carries on any business. The companies were created by Aall & Zyleman Company Limited, a Hong Kong based entity that advertises itself as a specialist in offshore incorporation and tax avoidance. Transhold's company secretary is Bonita LLC, which is registered in Oklahoma, USA.⁸⁵ The initial shareholders of Bonita were two Irish shell companies, Ireland & Overseas Acquisitions and Milltown Corporate Services, which were dissolved in 2003⁸⁶ and 2005,⁸⁷ respectively. The directors of the Irish entities were two Latvian fiduciary directors, Stan Gorin and Erik Vanagels.

⁸³ Exhibit 247: UA0005746.

⁸⁴ Exhibit 248: UA0005788.

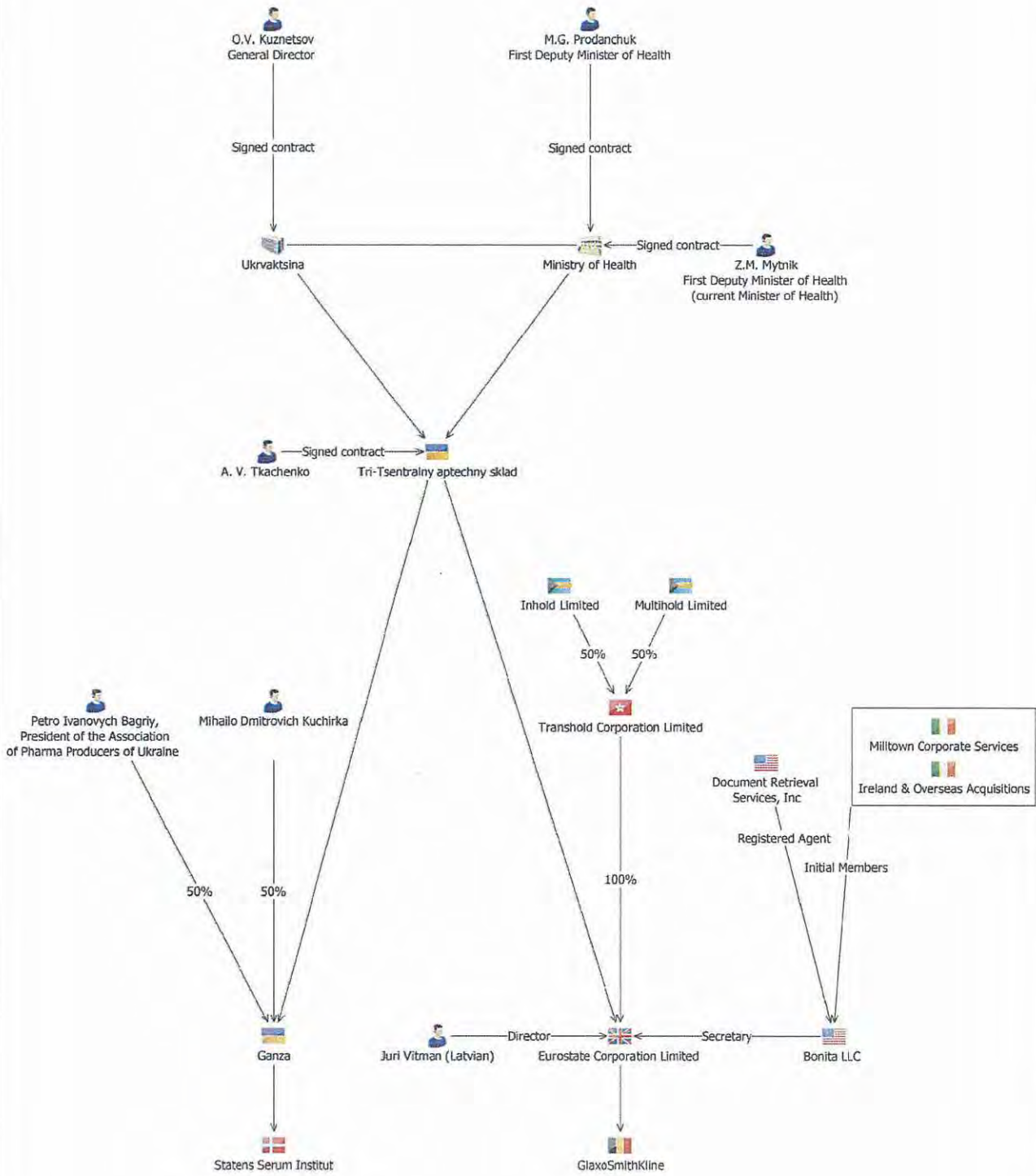
⁸⁵ Exhibit 249: UA0005603.

⁸⁶ Exhibit 250: UA0005703.

⁸⁷ Exhibit 251: UA0005781.

The transactions involving the Ministry of Health, Tri-TsAS, and Eurostate, as well as the ownership of the relevant corporations, are illustrated in the chart on the following page.

Tri-Tsentralny AS Contract



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E. Sumskaya

A transaction involving a fifth company was also within the scope of our review but did not reveal evidence as striking as that surrounding the previous four companies discussed. Unlike those contractors, Sumskaya Aptechna Kompaniya (“Sumskaya”) did not appear to contract with foreign intermediaries and shell companies. Instead, the company contracted with the Ukrainian intermediaries OJSC Ganza (an entity that formerly owned part of Sumskaya) and Pharmacevtychni preparaty regioniv LLC (a losing bidder on the Ministry contract), as well as two Ukrainian manufacturers, OJSC Luhansk Chemical Pharmaceutical Plant and Borshchagivskyi Chemical Pharmaceutical Plant. One contract between Sumskaya, the MHU, and Ukrvaksina was reviewed.

1. *Bidding Process*

Sumskaya was the lowest bidder in the tender process. The only other bidders on the tender were Pharmacevtychni preparaty regioniv LLC and Alter Ego LLC.⁸⁸

Sumskaya ultimately purchased some of the medicines from losing bidder

Pharmacevtychni preparaty regioniv LLC.

No.	Medicine	Bidder	Bid Price
1	Anti-Tuberculosis Preparation	Sumska Aptechna Kompaniya LLC Pharmacevtychni Preparaty regioniv LLC Alter Ego LLC	47,461,615.21 грн. 54,914,295.00 грн. 57,408,772.66 грн.

⁸⁸ Exhibit 252: UA0003262-3263.

2. Government Contract

The MHU, Sumskaya, and state enterprise Ukrvaksina signed Government Contract 1/12 on May 23, 2008 for the provision of multiple pharmaceutical products totaling UAH 47,460,193, as follows:⁸⁹

Product	Quantity	Price per unit	Total	Manufacturer
Isoniazid 10% 5ml	1,230,730.00	0.69	849,203.70 грн.	Lupin LTD, India
Combutol 400mg	11,055,000	0.16	1,768,800.00 грн.	Lupin LTD, India
Ripafex 150mg	344,448	13	4,477,824.00 грн.	Lupin LTD, India
Pyzina 500mg	12,056,000	0.17	2,049,520.00 грн.	Lupin LTD, India
R-cin 150 mg	24,489,000	0.165	4,040,685.00 грн.	Lupin LTD, India
Rifapentine 150mg	344,300	13.00	4,475,900.00 грн.	OOO Pharma Life
Sensicult	45,444	159	7,225,596.00 грн.	Tulip Diagnostics Ltd., India
Streptomycin-KMP	1,914,704	1.2	2,297,644.80 грн.	KMP OAO Kyivmedpreparat
SCC	4,203,800	1.5	6,305,700.00 грн.	Svizera, India
Isoniazid syrup 100/5	18,317	30	549,510.00 грн.	TOV Yuriya-Farm
Isoniazid 0.3 tab.	19,700,000	0.069	1,359,300.00 грн.	OAO Lugansky CPP
Pirasinamid 0.5g	12,054,000	0.17	2,049,180.00 грн.	OAO Lugansky CPP
Etambutol 0.4g	11,055,200	0.16	1,768,832.00 грн.	OAO Lugansky CPP
Isoniazid 100mg	13,966,000	0.0274	382,668.40 грн.	ZAO RDC Borshagovsky CPP
Pirasinamid 500mg	12,058,000	0.17	2,049,860.00 грн.	ZAO RDC Borshagovsky CPP
Rifampicin 150mg	24,490,000	0.165	4,040,850.00 грн.	ZAO RDC Borshagovsky CPP
Etambutol 400mg	11,057,000	0.16	1,769,120.00 грн.	ZAO RDC Borshagovsky CPP
Total			47,460,193.90 грн.	

The contract stipulates that Ukrvaksina shall make a 100 percent prepayment to Sumskaya. The contract is signed by Deputy Minister of Health Z.M. Mytnyk on behalf of MHU and General Director H.M. Vorona on behalf of Sumskaya.

⁸⁹ Exhibit 253: UA0001148-54.

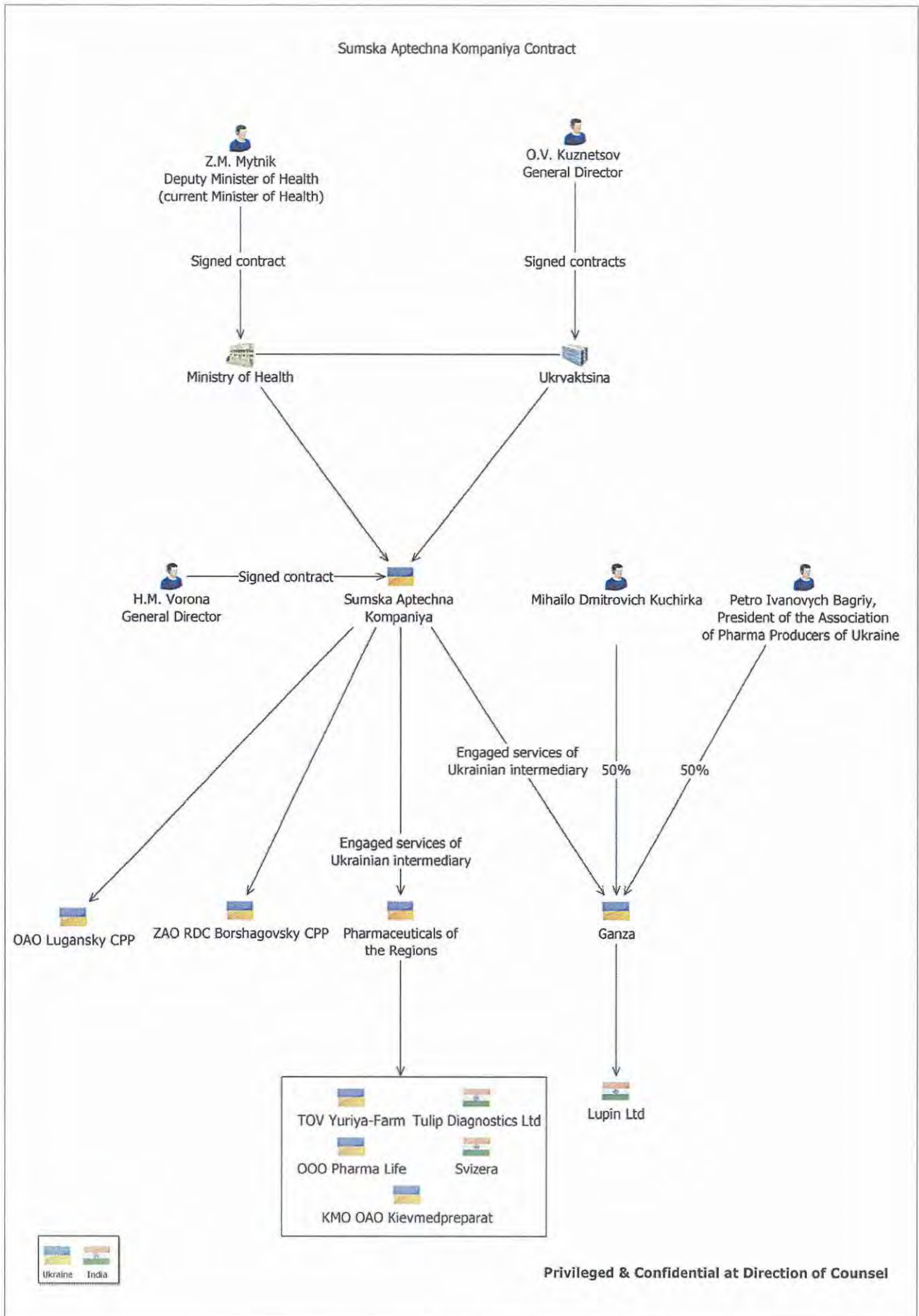
3. *Contracts with Ukrainian Intermediaries*

In order to fulfill the government contracts, Sumskaya contracted directly with two Ukrainian manufacturers, OJSC Luhansk Chemical Pharmaceutical Plant and Borshchagivskyi Chemical Pharmaceutical Plant, and also utilized two Ukrainian intermediaries, CJSC Ganza and Pharmacevtychni preparaty regioniv LLC.⁹⁰ The two contracts with the Ukrainian manufacturers were concluded prior to the contract between Sumskaya and the MHU. Pharmacevtychni preparaty regioniv – one of the losing bidders in the tender process – provided Sumskaya with UAH 20,397,151.11 worth of pharmaceutical products. Ganza supplied UAH 13,129,297.30 worth of medications. Approximately 70 percent of the total value of goods supplied to the MHU were procured through local intermediaries rather than directly from the manufacturers.

Moreover, Sumskaya and Ganza were formerly related entities. Ganza held a 25 percent stake in Sumskaya from April 17, 2006 to March 21, 2008 – approximately three months before Ganza and Sumskaya entered into their supply contract. As discussed above, Ganza was founded by and is currently co-owned by Mikhail Dmitrievich Kuchirk and Petro Ivanovich Bagriy. The media reports that Bagriy is a business partner of Yury Konstantinov, the Head of the MHU's department on regulatory policy in the area of turnover of medications in the healthcare system. Bagriy and Konstantinov co-founded together TOV Matrix and TOV Emergencia 2004.

⁹⁰ Exhibit 254: UA0002819-UA0002846.

The transactions involving the Ministry of Health, Sumskaya, and other entities, as well as the ownership of the relevant corporations, are illustrated in the chart on the following page.



VI. Conclusions and Recommendations

This investigation revealed evidence of fraud and waste of Government funds in the procurement process at the Ministry of Health. The same Ukrainian companies repeatedly win government contracts, and evidence suggests that some collude in bidding on contracts and that others have connections within the Ministry. Those companies then enter into purported “supply” contracts with foreign shell companies and report that contract price as the customs value when the goods are imported into Ukraine. This conceals the manufacturer’s prices – and the markup that the Ukrainian company is charging over those prices – from the Government. In the absence of evidence to the contrary, the most reasonable conclusion to draw is that the foreign intermediaries exist only to mask the lower manufacturer’s price and facilitate a mark-up to the Government that exceeds the permitted 10 percent. Many aspects of the current procurement procedure within the Ministry of Health allow these corrupt practices to continue.

However, greater transparency and stricter monitoring of tender process could help to prevent consistent dealing with companies that have close ties to the Ministry, particularly if other companies can offer a better price or more favorable terms. More comprehensive due diligence relating to other bidders is also necessary, in order to determine if the tender process is being manipulated by parties colluding to ensure that one wins but all benefit. Better intelligence on market prices for the goods desired – rather than looking to prices paid the previous years, which perpetuates markups – would enable the government to use its strong negotiating position to obtain more favorable deals.

Reevaluation of certain regulations that govern procurement could also be helpful to putting an end to these practices. For example, the decrees relating to the permissible level of markup allow contractors to list only the customs value, and companies apparently have some discretion in listing a customs value. This promotes the use of additional intermediaries to conceal the true value of the goods and to circumvent the 10 percent limit.

Regulations providing that a tender is valid so long as two bidders participate also enable collusion. Changing the law to require three or four viable bids on tenders exceeding a threshold monetary value could improve the likelihood of a competitive process. Giving the MHU the authority to negotiate prices could also increase the probability of a competitive bidding process, provided there is careful oversight to protect against inappropriate relationships between government officials and private contractors.

EXHIBIT 49

Translation (extracts)

Ukrainian-American Limited Liability Company
with Foreign Investments
“Beutaga Corporation”

General information

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Dnepropetrovsk region, Ukraine.

Principal: Yulia Vladimirovna Tymoshenko

Tel. 465286,

Supplemental tel. 471759

Fax 474573

Registration certification: 13463829

Initial registration: March 15, 1998

Certification of translation:

I, Tatiana Verita, certify herewith that I have the necessary education and the background of teaching foreign languages, that I am a permanent resident in the USA and that the translation of the document in the Ukrainian language, annexed herewith is true and correct.

Date: October 2, 2012. Signed:



ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ З ІНОЗЕМНИМИ ІНВЕСТИЦІЯМИ УКРАЇНСЬКО-АМЕРИКАНСЬКЕ "БЕЮТАГА КОРПОРАЦІЯ"

[Анкета компанії](#) | [Виды деятельности](#) | [Реквизиты](#) | [Компания на карте](#)

Общая информация

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Реквизиты организации

ОКПО	13463829
Дата первоначальной регистрации	1998-03-16

EXHIBIT 50

