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Subject: Tmrw
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I have to go to Houston with Beau tmrw for MD Anderson check up. Some thoughts after doing some research. And some further thoughts on organization going forward.

1. Poroshenko appears to be the likely next President. Determining our teams relationship with him is important. He is credible with the west and by all accounts a true reformer (by Uk standards).
2. Some sort of decentralization will likely occur in the East. If it doesn't the Russians will continue to escalate there destabilization campaign, which could lead to a full scale take over of the eastern region most critically Donetsk. The strategic value is to create a land bridge for RU to Crimea.
3. That won't directly affect Burisma holdings but it will limit future Uk exploration and utilization of offshore opportunities in particular.
4. It will also result in further destabilization of Uk nationally and for whatever govt is in power. And the US will respond with even stronger sanctions. Those sanctions will threaten the tenuous support of the EU which does not have the political will to incur steep energy price increases.
5. Which will result in further price increases on RU gas to the Uk.
6. The IMF loan guarantees will allow the Uks to weather the economic impact, but the required reforms to Uk public subsidies will weaken the new President.
7. There will be enormous pressure on Burisma to lower prices for the national good. Even if the company takes a hit in profits it would seem imprudent to raise prices in convert with RU price gouging.
8. Burisma has an opportunity here to play the hero if it ignores the artificial market value of their product and plays to the national interest.
9. Kazakstan could play a pivotal role by providing gas at rates lower than what the RUs are asking but I doubt they would want to poke the Bear.
10. The pipelines across Uk are the key to all of this. But if the Uks shut down the pipeline they also shut down 60% of their energy supply and put a strangle on EU supplies from RU which the EU will never accept (b/c they are pussies).
11. There is no immediate supplier solution to replace RU. Even if Burisma increased output from their reserves by 100% it would - 1, take at least two years and 2, Uk would still be about 35% short of their needed gas supplies.
12. Our guy needs to set himself up as the anti- Victor Pinchuk (coal and steel oligarch- pro Russian Yanukovich supporter).
13. The best way to weather the storm btw now an elections is to throw all in with the chocolate king. Even if he looses to Tymosheko (unlikely per polls as of today) Poroshenko is a safe ally that could help protect him from the vultures of the moment. Additionally you me and Alex should reconnect with the boxer and help gain his support of our guy.
14. And it is the moment (btw now and Elections) that he needs to weather. If he is seen as unfairly profiting from the RU induced price spike things could turn against him fast.
15. The Burisma website or press releases should talk about how Burisma as the largest independent is committed to supplying Uk industry with as much power at a fair price as possible during this crisis with an emphasis on utilizing the best technologies and world class team to ensure increased production and domestic delivery post haste.
16. We can actually be of real value here. Developing relationships, bringing US expertise to the company, supplying strategic advice on politics and geopolitical risk assesment.
17. BSF can actually have direct discussions at state, energy and NSC. They can devise a media plan and arrange for legal protections and mitigate US domestic negative press regarding the current leadership if need be.

18. The announcement of my guys upcoming travels should be characterized as part of our advice and thinking- but what he will say and do is out of our hands. In other words it could be a really good thing or it could end up creating too great an expectation. We need to temper expectations regarding that visit.
19. We need to ask for long term agreement and across the board participation. This is a huge step for us that could easily become very complicated. And if we are not protected financially regardless of the outcome we could find ourselves frozen out of a lot of current and future opportunities.
20. To that end they need to know in no uncertain terms that we will not and cannot intervene directly with domestic policy makers, and that we need to abide by FARA and any other US laws in the strictest sense across the board.
21. The contract should begin now- not after the upcoming visit of my guy. That should include a retainer in the range of 25k p/m w/ additional fees where appropriate for more in depth work to go to BSF for our protection. Complete separate from our respective deals re board participation.
22. Buy a cell phone from a 7/11 or CVS tmrw and ill do the same.

This could be the break we have been waiting for if they really are smart enough to understand our long term value. If they are looking to just use us until the storm passes then we risked far too much for far too little. We could be invaluable in expanding their operations outside Uk by promoting their US partnerships and expertise- whether that's China, Mexico, other parts of the Black Sea, Poland etc...

Finally, we need to have a plan on how we develop a corporate entity or LLP that allows us to draw on funds generated here to free us from existing (under-producing current commitments) and to build our own investment and expansion strategy. Maintaining the status quo is not an option. We can preserve our interest in the areas where minimal involvement is appropriate but should not get greedy and try to keep all the balls in the air that exist today. RCP, RSTP, BHRT all make sense and can co-exist and progress without our day to day oversight. But Advisors and the BD need a transition plan. I am assuming that by making this move it will require us to be traveling extensively and actually earning our keep. If that's not the case then we will know we are being used in a way that's not appropriate. BHRT will be our only other major time commitment (and Realty). But from my discussions with Jimmy I'm a little concerned that their strategy of marketing a soft commitment from BOC is not going to get the job done. We had assurances that the PRC money would come first and we would build on that. Right now I don't see that happening. If they want us in Beijing once a month and pitching this outside PRC we should be getting paid in advance just like every other team member thats getting a salary. We should be hiring people like Jim Lee to work east Asia and Australia and our new 3rd party marketer here in the states to do the heavy lifting if she is interested. We should also find someone of similar capabilities to do the same in Europe. We should also find a highly credible and discreet firm to perform due diligence and deep information for us on an ongoing basis. The kind of people that can get us information that's not available through a google search and some phone calls. We can use our own funds to pay for it and I'm sure your buddies down in Little Creek have some trusted independent contacts that do that sort of work.

Thoughts?

RHB



