

EXHIBIT 2

MEMORANDUM

To: President VFY
From: PJM
Subject: US Consultants – Quarterly Report
Date: April 22, 2013

Over the last three months the Government of Ukraine has gained considerable ground in enhancing its relationship with the USG. This is largely a result of building a comprehensive strategy that adopted issues of importance to the USG, and focusing on key and positive messages to better inform key members of the USG about Ukraine's objectives which are in alignment with the West.

Strategy

Substantial effort was spent in 2012 to defend against proponents of YT and views that she was selectively prosecuted. At that time it was the priority of the USG to attempt to influence the process of her release. We learned quickly that we needed to do a comprehensive outreach that relayed important progress that Ukraine was making on multiple fronts. The strategy for the first quarter of 2013 was to heavily engage with the UGS and US Congress, using a strategy I built called "Engage Ukraine" which focused the dialogue on positive key issues, and away from YT.

These key messages include:

- * Ukraine's integration with the EU
- * Energy Security
- * Russia attempting to have Ukraine align with the Customs Union
- * Nuclear Proliferation

Impact

At the outset of 2013, the prospects for Congress imposing sanctions against Ukraine for perceived selective prosecution and regression in carrying out democratic reforms was high. Members of Congress, Executive Branch officials and opinion leaders criticized Ukraine on many fronts. Most importantly, these stakeholders hammered away at Ukraine for the imprisonment of YT. The challenges for changing the nature of the discussion were significant. The mood toward Ukraine was negative.

Following the holidays in December and early January it was widely expected that several members would be taking proactive and aggressive positions against Ukraine. However, one of the most critical goals that we have achieved during this quarter is to prevent the application of any sanctions against the GoU or its officials. We have been able to accomplish this by implementing key messages from the "Engage Ukraine" strategy, many of which resonate with key US officials.

Ub Q1m we have made progress in softening the perception of Ukraine in the US. Based on a sustained and aggressive implementation of our strategy, it is far less likely that Congress will impose sanctions against Ukraine. We have drawn out the White house, Dept of State and key Members of Congress on this issue and gotten them to endorse an "engage Ukraine" policy.

Messaging

Our “Engage Ukraine” messaging to policy makers focuses on two central themes.

1. We have and continue to emphasize the positive aspects of the US-Ukraine relationship. We highlight:

- * **Defense and Security:** Ukraine has a proven track record of actively contributing to several NATO and international peacekeeping missions
- * **Criminal Policy Reform:** This is one of the single best achievements that has been achieved by the GoU. This has shifted the debate significantly, and has resulted in reengaging expert European bodies to continue with more reforms.
- * **Energy Cooperation:** The selection of Chevron and ExxonMobil to explore and develop shale gas and gas fields reflects a commitment by Ukraine to deepen its energy relationship with the U.S.
- * **Combatting Maritime Piracy:** To combat piracy, Ukraine has taken a lead role and is an active partner in NATO’s anti -piracy operations in the Indian Ocean

These are just some of the substantive issues that we use with policy makers that are changing perceptions of Ukraine.

We have aggressively made the case to Congress and the Executive Branch that if sanctions are imposed against Ukraine it will undercut the European initiative to bring Ukraine into the European sphere. There is growing understanding that this would undermine both European and U.S. national security interests. This argument is resonating with policymakers in both political parties in Congress.

Who “lost Ukraine” will be a burden that Congress will shoulder should it pass legislation that mandates sanctions. We have been persistent on that point with key policy makers, and it is one of the single most effective arguments that turns the discussion away from YT and her imprisonment.

Outreach

We have carried our message to a wide audience. We have engaged dozens of Congressional offices including the leadership and every member of the Senate Foreign Relations Committee and House Foreign Affairs Committee. We have also worked with the Helsinki Commission and have educated members of the Senate and House Armed Services Committees on security questions.

Our engagement with senior officials of the Department of State is bearing fruit. While the U.S. policy continues to support Tymoshenko’s release, senior officials now agree with us that imposing sanctions could push Ukraine toward Russia. Thus, the State Department is now making that case to Congress, and continues to believe that engagement with Ukraine is the best course of foreign policy.

We have organized and leveraged the visits of the Hapsburg group member [REDACTED] and [REDACTED] Hapsburg group member [REDACTED] to make critical in-roads in how policymakers view Ukraine. Toward that end, the Chairman of the House Foreign Affairs Committee, Congressperson [REDACTED] told Hapsburg member [REDACTED] that “we must continue to encourage pro-western forces in Ukraine”.

Speeches, roundtables and programming at major think-tanks such as the Carnegie Endowment for International Peace have also helped the broader Washington community understand the importance of the US for Ukraine to further its relationships with the West.

The pardon of Yuriy Lutsenko and five other prisoners is also a positive development that we have used effectively to argue against sanctions and to make the argument that the European Union should sign the Association Agreement with Ukraine. This step has also allowed us to leverage the progress in the US and have its support for the AA signing in the Fall.

Media

Since the beginning of 2013, we have been working across traditional and social media platforms to build a positive narrative for Ukraine in the US. The underlying theme for this narrative is the following: ***Ukraine is an important global strategic partner to the United States and West that is committed to the necessary reforms for EU accession.***

We have delivered more specific messages that are representative of this theme, such as: ***Ukraine is a global leader in energy production, is a significant contributor to the global economy, recognizes the rule of law as shown by the recent release of six prisoners, and Ukraine has been an active participant in combating maritime piracy.***

Our media outreach and strategy has included:

- * placement of an op-ed by Hapsburg group member [REDACTED] in a significant publication in Washington, DC that is delivered to every congressional office, the White House, and all U.S. federal agencies;
- * placement of an op-ed by Hapsburg group member [REDACTED] in the Christian Science Monitor, a universal publication that has a high readership in many key foreign policy communities and among key policymakers in the US;
- * pitching our narrative and messaging to key reporters and editors at the Washington Post, the Wall Street Journal, and New York Times; and extensive online outreach to relevant bloggers.

In the next few weeks we will be capitalizing on the upcoming visit of Foreign Minister Kozhara and Sergei Klyuiev by placing an op-ed (authored by Kozhara) for publication in an influential newspaper during or around the time of their visit.

After their visit, we will place an op-ed that highlights Ukraine's track record in working with Western fleets to combat maritime piracy. We have secured a retired US Navy Admiral – who is an expert in maritime piracy issues and who has experience working with Ukraine in this area – to author this op-ed.

Our ongoing efforts will include pitching bi-weekly press releases/news articles that highlight new, updated achievements and progress that Ukraine is making in its pursuit of the Association Agreement with the EU; identifying additional credible authors for op-eds that we will draft and have strategically placed; and developing and executing new digital strategies to increase the profile and narrative of Ukraine online and across multiple social media platforms.

Emerging Problem Areas

Given the changes in perceptions towards Ukraine, it is important to note the emergence of a broader issue agenda.

There are several issues that are growing in importance and will need to be addressed in the next 3 months.

1. IMF. There is a growing impression that Ukraine is unwilling to make the fiscal and monetary changes necessary to finalize a new loan facility. The new economic team led by DPM Arbutov is viewed as competent and more organized than the previous team. However, there is a consensus hardening that the Govt of Ukr is not addressing the problems. While the gas tariff issue is a deal stopper, if a new strategy can frame a credible program that addresses the issues raised by the IMF Mission teams, some pressure can be applied with the new supporters in Washington. More than any other bilateral issue, the IMF matter is viewed as the litmus test of the seriousness of the Govt to fix its core problems.
2. WTO. RICK FILL IN THE ISSUE HERE AND SOME OF THE THINGS WE CAN AND WILL DO
3. IPR RICK FILL IN THE ISSUE HERE AND SOME OF THE THINGS WE CAN AND WILL DO
4. OTHER ISSUES/ RICK ID

Way Forward

The US consultants team will seek to leverage the hard work and important actions taken by the GoU taken in the first quarter to continue with the strong progress that has been made and further advance the "Engage Ukraine" agenda for the second quarter.

The USG strategy looks to leverage the reforms being promoted in compliance with EU conditions for signing the AA and DCFTA. Because there is less direct awareness in Washington, we will bring European leaders to Washington to educate USG officials of the important changes occurring in Ukraine and the progress being achieved in the reform and modernization programs.

Two of the critical reform areas are in the implementation of the CPC and the electoral changes made based on OSCE recommendations from the VR elections. Using visits by Ukr officials and European leaders, we will educate targeted officials in the USG.

The goal is to lay the foundation and protect the work that has been done to ensure that the AA is signed this Fall in Vilnius.

We will continue to identify, educate, recruit and mobilize third-party validators for Ukraine's west-ward focus, and goal of EU membership through our "Engage Ukraine" outreach campaign. Our primary goal is to ensure signing of the AA and to prevent the passage of sanctions against Ukraine. This will take a sustained effort in Congress and in the executive branch to ensure that the progress we have made is not reversed. We will also continue to establish representation in Congress on behalf of the GoU during any relevant Congressional briefings and hearings.

Our team will directly work to advance our existing relationships, or construct them where they are preliminary, with Members of Congress that will be in a direct position to influence policy regarding Ukraine. We have made much progress in the beginning of 2013 and the