

CHARLES E. GRASSLEY, IOWA, CHAIRMAN  
ORRIN G. HATCH, UTAH  
LINDSEY O. GRAHAM, SOUTH CAROLINA  
JOHN CORNYN, TEXAS  
MICHAEL S. LEE, UTAH  
TED CRUZ, TEXAS  
BEN SASSE, NEBRASKA  
JEFF FLAKE, ARIZONA  
MIKE CRAPO, IDAHO  
THOM TILLIS, NORTH CAROLINA  
JOHN KENNEDY, LOUISIANA  
DIANNE FEINSTEIN, CALIFORNIA  
PATRICK J. LEAHY, VERMONT  
RICHARD J. DURBIN, ILLINOIS  
SHELDON WHITEHOUSE, RHODE ISLAND  
AMY KLOBUCHAR, MINNESOTA  
AL FRANKEN, MINNESOTA  
CHRISTOPHER A. COONS, DELAWARE  
RICHARD BLUMENTHAL, CONNECTICUT  
MAZIE HIRONO, HAWAII

United States Senate  
COMMITTEE ON THE JUDICIARY  
WASHINGTON, DC 20510-6275

KOLAN L. DAVIS, Chief Counsel and Staff Director  
JENNIFER DUCK, Democratic Staff Director

April 28, 2017

**VIA ELECTRONIC TRANSMISSION**

The Honorable James B. Comey, Jr.  
Director  
Federal Bureau of Investigation  
935 Pennsylvania Avenue, NW  
Washington, DC 20535

Dear Director Comey:

On March 6, 2017, I wrote to you requesting information about the FBI's relationship with Mr. Christopher Steele, the author of the political opposition research dossier alleging collusion between associates of Mr. Trump and the Russian government. Although that letter asked for a response by March 20, the FBI has failed to provide one.

Ranking Member Feinstein and I had previously written to the FBI on February 15, 2017, asking for a briefing and documents relating to the resignation of Mr. Flynn and the leaks of classified information involving him. After a startling lack of responsiveness from the FBI, I was forced to delay Committee proceedings on the nomination for Deputy Attorney General in order to obtain DOJ's cooperation. In response, on March 15, 2017, you did provide a briefing about the FBI's Russia investigation to Ranking Member Feinstein and me. While a few of the questions from my March 6 letter were also addressed in that briefing, most were not. Nor was there any indication from the FBI before or during the briefing that the FBI considered it to be responsive to the March 6 letter.

Nonetheless, on April 19, 2017, the FBI sent Ranking Member Feinstein and me a four-sentence letter purporting to be in response to both the February 15 and March 6 letters. Two of those sentences are merely the standard closing boilerplate language in all FBI letters. The letter did not answer any questions and instead incorrectly claimed that the briefing addressed the concerns raised in both the February 15 and March 6 letters. That is incorrect. The FBI has failed to provide documents requested in the March 6 letter or to answer the vast majority of its questions.

There appear to be material inconsistencies between the description of the FBI's relationship with Mr. Steele that you did provide in your briefing and information contained in Justice Department documents made available to the Committee only after the briefing. Whether those inconsistencies

were honest mistakes or an attempt to downplay the actual extent of the FBI's relationship with Mr. Steele, it is essential that the FBI fully answer all of the questions from the March 6 letter and provide all the requested documents in order to resolve these and related issues.

Also, more information has since come to the Committee's attention about the company overseeing the creation of the dossier, Fusion GPS. Namely, Fusion GPS is the subject of a complaint to the Justice Department, which alleges that the company violated the Foreign Agents Registration Act by working on behalf of Russian principals to undermine U.S. sanctions against Russians. That unregistered work was reportedly conducted with a former Russian intelligence operative, Mr. Rinat Akhmetshin, and appears to have been occurring simultaneous to Fusion GPS's work overseeing the creation of the dossier. I wrote to the Justice Department about this issue on March 31, copying you, and I have attached that letter here for your reference. The Justice Department has yet to respond.

In addition to fully answering my March 6, 2017 letter, please also provide the following documents and information:

1. Documentation of all payments made to Mr. Steele, including for travel expenses, if any; the date of any such payments; the amount of such payments; the authorization for such payments.
2. When the FBI was in contact with Mr. Steele or otherwise relying on information in the dossier, was it aware that his employer, Fusion GPS, was allegedly simultaneously working as an unregistered agent for Russian interests? Please provide all related documents.
3. If so, when and how did FBI become aware of this information? Did it include this information about Fusion GPS's alleged work for Russian principals in any documents describing or relying on information from the dossier? If not, why not?
4. If the FBI was previously unaware of Fusion GPS's alleged unregistered activity on behalf of Russian interests and connections with a former Russian intelligence operative, does the FBI plan to amend any applications, reports, or other documents it has created that describe or rely on the information in the dossier to add this information? If so, please provide copies of all amended documents. If not, why not?

Please provide all the requested documents and full answers to all the question by May 12, 2017. I hope that this matter can be resolved without additional holds on nominees. These are important issues that require public transparency. I anticipate that your responses to these questions may contain both classified and unclassified information. Please send all unclassified material directly to the Committee. In keeping with the requirements of Executive Order 13526, if any of the responsive documents do contain classified information, please segregate all unclassified material within the classified documents, provide all unclassified information directly to the Committee, and provide a classified addendum to the Office of Senate Security. Although the Committee complies with all laws and regulations governing the handling of classified information, it is not bound, absent its prior agreement, by any handling restrictions or instructions on unclassified information unilaterally asserted by the Executive Branch.

Director Comey

April 28, 2017

Page 3 of 3

Thank you for your prompt attention to this important matter. If you have any questions, please contact Patrick Davis of my Committee staff at (202) 224-5225.

Sincerely,

A handwritten signature in blue ink that reads "Chuck Grassley". The signature is written in a cursive, flowing style.

Charles E. Grassley  
Chairman  
Committee on the Judiciary

cc: The Honorable Dianne Feinstein  
Ranking Member  
Senate Committee on the Judiciary

CHARLES E. GRASSLEY, IOWA, CHAIRMAN

ORRIN G. HATCH, UTAH  
LINDSEY O. GRAHAM, SOUTH CAROLINA  
JOHN CORNYN, TEXAS  
MICHAEL S. LEE, UTAH  
TED CRUZ, TEXAS  
BEN SASSE, NEBRASKA  
JEFF FLAKE, ARIZONA  
MIKE CRAPO, IDAHO  
THOM TILLIS, NORTH CAROLINA  
JOHN KENNEDY, LOUISIANA

DIANNE FEINSTEIN, CALIFORNIA  
PATRICK J. LEAHY, VERMONT  
RICHARD J. DURBIN, ILLINOIS  
SHELDON WHITEHOUSE, RHODE ISLAND  
AMY KLOBUCHAR, MINNESOTA  
AL FRANKEN, MINNESOTA  
CHRISTOPHER A. COONS, DELAWARE  
RICHARD BLUMENTHAL, CONNECTICUT  
MAZIE K. HIRONO, HAWAII

United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510-6275

KOLAN L. DAVIS, *Chief Counsel and Staff Director*  
JENNIFER DUCK, *Democratic Staff Director*

March 31, 2017

**VIA ELECTRONIC TRANSMISSION**

The Honorable Dana Boente  
Acting Deputy Attorney General  
U.S. Department of Justice  
950 Pennsylvania Avenue, N.W.  
Washington, DC 20530

Dear Mr. Boente:

Over the past few years, the Committee has repeatedly contacted the Department of Justice to raise concerns about the Department's lack of enforcement of the Foreign Agents Registration Act ("FARA"). I write regarding the Department's response to the alleged failure of pro-Russia lobbyists to register under FARA. In July of 2016, Mr. William Browder filed a formal FARA complaint with the Justice Department regarding Fusion GPS, Rinat Akhmetshin, and their associates.<sup>1</sup> His complaint alleged that lobbyists working for Russian interests in a campaign to oppose the pending Global Magnitsky Act failed to register under FARA and the Lobbying Disclosure Act of 1995. The Committee needs to understand what actions the Justice Department has taken in response to the information in Mr. Browder's complaint. The issue is of particular concern to the Committee given that when Fusion GPS reportedly was acting as an unregistered agent of Russian interests, it appears to have been simultaneously overseeing the creation of the unsubstantiated dossier of allegations of a conspiracy between the Trump campaign and the Russians.

Mr. Browder is the CEO of Hermitage Capital Management ("Hermitage"), an investment firm that at one time was the largest foreign portfolio investor in Russia. According to the Justice Department, in 2007, Russian government officials and members of organized crime engaged in corporate identity theft, stealing the corporate identities of three Hermitage companies and using them to fraudulently obtain \$230 million.<sup>2</sup> The \$230 million was then extensively laundered into accounts outside of Russia. When Hermitage learned of the situation, its attorneys, including Mr. Sergei Magnitsky, investigated. In December of 2007, Hermitage filed criminal complaints with law enforcement agencies in Russia, complaints which identified the Russian government officials who had been involved. In response, the Russian government

---

<sup>1</sup> *Complaint Regarding the Violation of US Lobbying Laws by the Human Rights Accountability Global Initiative Foundation and Others*, Hermitage Capital Management (July 15, 2016) ("Browder Complaint") (attached).

<sup>2</sup> *Second Amended Verified Complaint, U.S. v. Prevezon Holdings Ltd., et al.*, No. 13-cv-6326, ECF 381 (SDNY) ("DOJ Complaint") (attached).

assigned the case to the very officials involved in the crime, who then arrested Mr. Magnitsky and kept him in pretrial detention for nearly a year, until he died under highly suspicious circumstances after being beaten by guards and denied medical treatment.

In response to this brazen violation of human rights, Congress passed the bipartisan Sergei Magnitsky Rule of Law Accountability Act of 2012 (“Magnitsky Act”), which was signed into law by President Obama. The law authorized sanctions against those who the President determined were responsible for Mr. Magnitsky’s detention and death, those who financially benefitted from it, and those involved in the criminal conspiracy he had uncovered. The law also authorized sanctions against those the President determined were responsible for other extrajudicial killings, torture, or human rights violations committed against individuals seeking to promote human rights or expose illegal activity carried out by Russian government officials. The sanctions involved banning the identified individuals from the U.S. and authorizing the President to use the International Emergency Economic Powers Act to freeze their property, provided that the property is in the United States. President Obama initially identified 18 such individuals, and subsequently added others.

The Russian government responded to the Magnitsky Act by prohibiting all adoptions of Russian children by United States citizens. It similarly put out a list of 18 U.S. government officials banned from Russia.

In 2013, the Department of Justice initiated a civil asset forfeiture case against Prevezon Holdings, a company owned by Russian Denis Katsyv, the son of a former Russian government minister.<sup>3</sup> The Justice Department argued that his company had received millions of the laundered \$230 million from the conspiracy Mr. Magnitsky discovered, and had used it to purchase real estate in New York.<sup>4</sup> Additionally, in 2015, Senators Cardin and McCain introduced the Global Magnitsky Act, which would extend the Magnitsky sanctions framework to human rights violators across the globe.

As detailed in press accounts and in Mr. Browder’s FARA complaint, in response to these actions, Prevezon Holdings and the Russian government began a lobbying campaign purportedly designed to try to: repeal the Magnitsky Act; remove the name “Magnitsky” from the Global Magnitsky Act and delay its progress; and cast doubt on the Justice Department’s version of events regarding the corporate identity theft of Hermitage’s companies, the fraudulently obtained \$230 million, and the death of Mr. Magnitsky.<sup>5</sup>

---

<sup>3</sup> *U.S. v. Prevezon Holdings Ltd., et al.*, No. 13-cv-6326 (SDNY).

<sup>4</sup> DOJ Complaint, *supra* note 2.

<sup>5</sup> Browder Complaint, *supra* note 1; see Isaac Arnsdorf, *FARA Complaint Alleges Pro-Russian Lobbying*, POLITICO (Dec. 8, 2016); Michael Weiss, *Putin’s Dirty Game in the U.S. Congress*, THE DAILY BEAST (May 18, 2016); Mike Eckel, *Russian ‘Gun-For-Hire’ Lurks in Shadows of Washington’s Lobbying World*, RADIO FREE EUROPE/RADIO LIBERTY (July 17, 2016); Isaac Arnsdorf, *From Russia, With Love?*, POLITICO (Aug. 17, 2016); Chuck Ross, *Oppo Researcher Behind Trump Dossier Is Linked to Pro-Kremlin Lobbying Effort*, THE DAILY CALLER (Jan. 13, 2017); Isaac Arnsdorf and Benjamin Oreskes, *Putin’s Favorite Congressman*, POLITICO (Nov. 23, 2016).

Prevezon's lobbying efforts were reportedly commissioned by Mr. Katsyv, who organized them through a Delaware non-profit he formed and through the law firm then representing Prevezon in the asset forfeiture case, Baker Hostetler.<sup>6</sup> Among others, the efforts involved lobbyist Rinat Akhmetshin and Fusion GPS, a political research firm led by Glenn Simpson.<sup>7</sup> According to press reports, Baker Hostetler partner Mark Cymrot briefed congressional staff on the asset forfeiture case, attempting to discredit the Justice Department's version of events and instead push the Russian government's account.<sup>8</sup> Rinat Akhmetshin, along with former Congressman Ron Dellums, reportedly lobbied the House Foreign Affairs Committee, telling staffers "they were lobbying on behalf of a Russian company called Prevezon and ask[ing] [the Committee] to delay the Global Magnitsky Act or at least remove Magnitsky from the name," as well as telling the staffers "it was a shame that this bill has made it so Russian orphans cannot be adopted by Americans."<sup>9</sup> Mr. Akhmetshin was also involved in the screening, targeting Congressional staffers and State Department officials, of an anti-Magnitsky propaganda film.<sup>10</sup> For its part, Fusion GPS reportedly "dug up dirt" on Mr. Browder's property and finances, and attempted to generate negative stories about Mr. Browder and Hermitage in the media, shopping stories to a number of reporters.<sup>11</sup>

According to press reports, the Russian government also directly delivered a letter on the issue to a Congressional delegation visiting the country, which similarly sought to undermine the Justice Department's account of events by accusing Mr. Browder and Mr. Magnitsky of a variety of crimes.<sup>12</sup> The letter from the Russian government also stated:

Changing attitudes to the Magnitsky story in Congress, obtaining reliable knowledge about real events and personal motives of those behind the lobbying of this destructive Act, taking into account the pre-election political situation may change the current climate in interstate relations. Such a situation could have a very favorable response from the Russian side on many key controversial issues and disagreements with the United States, including matters concerning the adoption procedures.<sup>13</sup>

---

<sup>6</sup> Browder Complaint, *supra* note 2; Isaac Arnsdorf, *FARA Complaint Alleges Pro-Russian Lobbying*, POLITICO (Dec. 8, 2016).

<sup>7</sup> *Id.*; Chuck Ross, *Oppo Researcher Behind Trump Dossier Is Linked to Pro-Kremlin Lobbying Effort*, THE DAILY CALLER (Jan. 13, 2017).

<sup>8</sup> Isaac Arnsdorf, *FARA Complaint Alleges Pro-Russian Lobbying*, Politico (Dec. 8, 2016).

<sup>9</sup> Michael Weiss, *Putin's Dirty Game in the U.S. Congress*, THE DAILY BEAST (May 18, 2016); *see* Isaac Arnsdorf, *From Russia, With Love?*, POLITICO (Aug. 17, 2016).

<sup>10</sup> Mike Eckel, *Russian 'Gun-For-Hire' Lurks in Shadows of Washington's Lobbying World*, RADIO FREE EUROPE/RADIO LIBERTY (July 17, 2016).

<sup>11</sup> Isaac Arnsdorf, *FARA Complaint Alleges Pro-Russian Lobbying*, Politico (Dec. 8, 2016); Chuck Ross, *Oppo Researcher Behind Trump Dossier Is Linked to Pro-Kremlin Lobbying Effort*, THE DAILY CALLER (Jan. 13, 2017).

<sup>12</sup> Michael Weiss, *Putin's Dirty Game in the U.S. Congress*, THE DAILY BEAST (May 18, 2016).

<sup>13</sup> *Id.*

It is particularly disturbing that Mr. Akhmetshin and Fusion GPS were working together on this pro-Russia lobbying effort in 2016 in light of Mr. Akhmetshin's history and reputation. Mr. Akhmetshin is a Russian immigrant to the U.S. who has admitted having been a "Soviet counterintelligence officer."<sup>14</sup> In fact, it has been reported that he worked for the GRU and allegedly specializes in "active measures campaigns," *i.e.*, subversive political influence operations often involving disinformation and propaganda.<sup>15</sup> According to press accounts, Mr. Akhmetshin "is known in foreign policy circles as a key pro-Russian operator,"<sup>16</sup> and Radio Free Europe described him as a "Russian 'gun-for-hire' [who] lurks in the shadows of Washington's lobbying world."<sup>17</sup> He was even accused in a lawsuit of organizing a scheme to hack the computers of one his client's adversaries.<sup>18</sup>

As you know, Fusion GPS is the company behind the creation of the unsubstantiated dossier alleging a conspiracy between President Trump and Russia. It is highly troubling that Fusion GPS appears to have been working with someone with ties to Russian intelligence –let alone someone alleged to have conducted political disinformation campaigns– as part of a pro-Russia lobbying effort while also simultaneously overseeing the creation of the Trump/Russia dossier. The relationship casts further doubt on an already highly dubious dossier.

The actions of Mr. Akhmetshin, Fusion GPS, and the others described in Mr. Browder's complaint appear to show that they acted on behalf of a foreign principal. This is exactly the type of activity Congress intended to reach with FARA. When properly enforced, FARA provides important transparency. However, in this case, because none of the parties involved in the anti-Magnitsky lobbying had properly registered under FARA, these suspicious connections were not appropriately documented and brought to public light. In fact, it is unclear whether the FBI was or is aware of Fusion GPS's pro-Russia lobbying and connection to Mr. Akhmetshin, or that these efforts coincided with the creation of the dossier. Presumably, such awareness would have informed the FBI's evaluation of the dossier's credibility. This is why it is important for the Department of Justice to actually enforce FARA's disclosure requirements.

---

<sup>14</sup> Isaac Arnsdorf, *FARA Complaint Alleges Pro-Russian Lobbying*, POLITICO (Dec. 8, 2016).

<sup>15</sup> *Id.* ("Akhmetshin used to spy for the Soviets and 'specializes in active measures campaigns' ... Akhmetshin acknowledged having been a Soviet counterintelligence officer"); Chuck Ross, *Oppo Researcher Behind Trump Dossier Is Linked to Pro-Kremlin Lobbying Effort*, THE DAILY CALLER (Jan. 13, 2017) (Akhmetshin "was affiliated with GRU, Russia's main intelligence directorate"); STEVE LEVINE, *THE OIL AND THE GLORY: THE PURSUIT OF EMPIRE AND FORTUNE ON THE CASPIAN SEA* 366 (2007) (describing how a former KGB officer turned businessman turned Kazakh politician "hired a lobbyist, and English-speaking former Soviet Army counter-intelligence officer named Rinat Akhmetshin [and] the skilled Akhmetshin burrowed in with Washington reporters, think tank experts, administration bureaucrats, and key political figures"); Plaintiff's Complaint, *International Mineral Resources B.V. v. Rinat Akhmetshin, et al.*, No. 161682/2015, 2015 WL 7180277 (N.Y. Sup.) ("Akhmetshin is a former Soviet military counterintelligence officer who moved to Washington, D.C. to become a lobbyist.").

<sup>16</sup> Isaac Arnsdorf, *From Russia, With Love?*, POLITICO (Aug. 17, 2016).

<sup>17</sup> Mike Eckel, *Russian 'Gun-For-Hire' Lurks in Shadows of Washington's Lobbying World*, RADIO FREE EUROPE/RADIO LIBERTY (July 17, 2016).

<sup>18</sup> *Id.*; Plaintiff's Complaint, *International Mineral Resources B.V. v. Rinat Akhmetshin, et al.*, No. 161682/2015, 2015 WL 7180277 (N.Y. Sup. Ct.).

In order for the Committee to evaluate the situation, please respond to the following by no later than April 14, 2017:

1. What actions, if any, has the Department of Justice taken to enforce FARA's requirements regarding the parties identified in Mr. Browder's July 16, 2016 complaint?
2. None of the parties involved appear to have registered these activities pursuant to FARA. Why has the Justice Department not required them to register under FARA?
3. Has the Justice Department sent letters of inquiry to any of the parties identified in the complaint?
4. If so, please provide copies. If not, why not?
5. Under 28 C.F.R. § 5.2, any present or prospective agent of a foreign entity may request an advisory opinion from the Justice Department regarding the need to register. Have any of the parties identified in the complaint ever requested an advisory opinion in relation to the pro-Russia work described in this letter? If so, please provide a copy of the request and the opinion.

I anticipate that your written response and the responsive documents will be unclassified. Please send all unclassified material directly to the Committee. In keeping with the requirements of Executive Order 13526, if any of the responsive documents do contain classified information, please segregate all unclassified material within the classified documents, provide all unclassified information directly to the Committee, and provide a classified addendum to the Office of Senate Security. The Committee complies with all laws and regulations governing the handling of classified information. The Committee is not bound, absent its prior agreement, by any handling restrictions or instructions on unclassified information unilaterally asserted by the Executive Branch.

Thank you for your prompt attention to this important matter. If you have any questions, please contact Patrick Davis of my Committee staff at (202) 224-5225.

Sincerely,



Charles E. Grassley  
Chairman  
Committee on the Judiciary

cc: The Honorable Dianne Feinstein  
Ranking Member  
Senate Committee on the Judiciary

The Honorable James Comey  
Director  
Federal Bureau of Investigation

The Honorable Ben Cardin  
United States Senate

The Honorable John McCain  
United States Senate

House Committee on Foreign Affairs



## Hermitage Capital Management

---

Heather H. Hunt, Chief  
FARA Registration Unit  
Counterintelligence and Export Control Section  
National Security Division  
U.S Department of Justice

By Email: [REDACTED]@usdoj.gov

15 July 2016

Dear Ms. Hunt,

**Complaint regarding the violation of US Lobbying Laws by the Human Rights Accountability Global Initiative Foundation and others by Hermitage Capital Management (“Hermitage”)**

Further to our recent call, on information and belief, we write to set out in more detail several violations of US lobbying laws by lobbyists and entities acting under the direction/control/influence of the Russian Government.

**I. Executive Summary**

1. There is an ongoing lobbying campaign to repeal the Magnitsky Act (the “Campaign”) and rewrite the history of the Magnitsky story. This campaign has been conducted by the following entities
  - A. Prevezon Holdings Limited (“Prevezon”) - a Russian owned Cyprus registered company
  - B. The Human Rights Accountability Global Initiative Foundation (“HRAGIF”) - a Delaware NGO created on 18 February 2016.
  
2. To assist them in the Campaign, based on information and belief, the following people have been hired to lobby on their behalf:
  - A. **Rinat Akhmetshin** – Russian national living in Washington D.C.
  - B. **Robert Arakelian**
  - C. **Chris Cooper** – CEO Potomac Square Group
  - D. **Glenn Simpson** - SNS Global and Fusion GPS
  - E. **Mark Cymrot** – Partner, Baker Hostetler
  - F. **Ron Dellums** - Former Republican Congressman
  - G. **Howard Schweitzer** – Managing Partner of Cozen O’Connor Public Strategies

---

For Correspondence only:

3<sup>rd</sup> Floor, Grafton House, 2-3 Golden Square, London W1F 9HR

Tel: +44 (0)207 440 1777 / Fax: +44 (0)207 440 1778



3. The Campaign's three objectives are:
  - A. To repeal the 2012 Magnitsky Act.
  - B. To remove the name "Magnitsky" from the Global Magnitsky Bill, which is currently passing through Congress.
  - C. To discredit the established version of events regarding the theft of \$230 million from the Russian Treasury and the death of Sergei Magnitsky as told by William Browder, CEO of Hermitage ("Mr. Browder"), so as to assist the Campaign in meeting its objectives in relation to repealing the Magnitsky Law.
  
4. In conducting these lobbying activities, those involved in the Campaign are in violation of their filing requirements under the Lobbying Disclosure Act 1995 ("LDA") and the Foreign Agents Registration Act 1938 ("FARA"), for the following reasons:
  - A. The lobbyists involved have failed to file their lobbying activities with the relevant authorities.
  - B. The entity involved, HRAGIF, has filed inaccurate information in its LDA filings.
  - C. Both HRAGIF and Prevezon are being controlled/directed/influenced by the Russian Government in respect of the lobbying activity (see Section III), and therefore filings are required to be made under FARA.
  
5. Taking this information into consideration, we urge you to commence an investigation into the lobbying activities of the individuals and entities mentioned herein.

## **II. Lobbying Activities by the Campaign in Violation of FARA and LDA**

Through the creation of a new NGO which appears to be disguising its lobbying activities, the lobbying of Congress, and the screening of a film intended to spread misinformation about the history of Sergei Magnitsky, the individuals and lobbyists identified below are in breach of various statutory lobbying requirements under FARA and the LDA 1995.

### **1. Creation of the Human Rights Accountability Global Initiative Foundation ("HRAGIF")**

- A. HRAGIF was established on 18 February 2016 in Delaware. Its registered address is Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801. The address on its LDA filing is 1050 Connecticut NW #500, Washington DC, 20036.
-



- B. HRAGIF's stated objective on its website is "*overturning the Russian adoption ban.*"<sup>1</sup>
- C. The following people were involved in HRAGIF's lobbying activities, and are listed as in-house lobbyists on HRAGIF's LDA filings:<sup>2</sup>
- i. Rinat Akhmetshin
    - a. Mr Akhmetshin is a former member of the Russian military intelligence services (GRU). He is now based in Washington DC as a lobbyist.
    - b. He was previously hired by clients with the mandate to generate negative publicity. He was paid by a previous client to derail the US asylum application of a Russian citizen using false allegations of anti-Semitism.<sup>3</sup>
    - c. He has been accused of organizing, on behalf of Russian oligarch Andrey Melnichenko, for the computers of International Mineral Resources to be hacked to steal "*confidential, personal and otherwise sensitive information*" so that it could be disseminated.<sup>4</sup>
  - ii. Robert Arakelian
- D. The following people have been involved in HRAGIF's lobbying activities, but are not listed in their LDA filings:
- i. Chris Cooper, CEO Potomac Square Group
  - ii. Natalia Veselnitskaya, the Russian lawyer for Prevezon
  - iii. Anatoly Samochornov, Russian born professional interpreter and project manager for the US State Department
- E. Email evidence from Mr. Samochornov to Thomas Klosowicz confirms Samochornov and Veselnitskaya's connection to HRAGIF.<sup>5</sup>
- F. In its registration forms that were filed on 11, 16 and 20 June 2016, HRAGIF states that its current and anticipated specific lobbying issues are "*foreign adoption issues.*"<sup>6</sup> This statement is false. It has been confirmed that Rinat Akhmetshin has been lobbying to attack the Magnitsky Act.

---

<sup>1</sup> <http://hragi.org/>

<sup>2</sup> Please see HRAGIF's LDA 1995 filings:

<http://disclosures.house.gov/ld/ldxmlrelease/2016/RR/300805895.xml>

<http://disclosures.house.gov/ld/ldxmlrelease/2016/RA/300805978.xml>

<http://disclosures.house.gov/ld/ldxmlrelease/2016/RA/300806062.xml>

<sup>3</sup> <http://www.nytimes.com/2015/02/12/nyregion/russia-time-warner-center-andrey-vavilov.html>

<sup>4</sup> <http://www.leagle.com/decision/In%20FDCCO%2020150729B50/In%20re%20Application%20of%20International%20Mineral%20Resources%20B.V> ; <http://www.forbes.ru/news/305971-byvshii-podryadchik-obvinil-melnichenko-v-organizatsii-khakerskoi-ataki>

<sup>5</sup> See email from A Samochornov to Thomas Klosowicz dated 26 April 2016 confirming Samochornov and Veselnitskaya's connection to HRAGIF, Appendix 1

<sup>6</sup> Please see HRAGIF's LDA 1995 filings:

<http://disclosures.house.gov/ld/ldxmlrelease/2016/RR/300805895.xml>

<http://disclosures.house.gov/ld/ldxmlrelease/2016/RA/300805978.xml>

<http://disclosures.house.gov/ld/ldxmlrelease/2016/RA/300806062.xml>



- i. He was responsible for organising the screening of the anti-Magnitsky documentary in Washington DC (see Section II.2.D.ii). He attended the aborted European Parliament screening in Brussels of the same film (see Section II.3.C), and he also attended a screening of the film in Moscow.
  - ii. He actively lobbied Congress on behalf of Prevezon prior to the House markup of the Global Magnitsky Bill on 18 May 2016 (see Section II.2.C.i).
- G. Furthermore, HRAGIF states at section 14 of the forms that it has no relationship with a foreign entity that would require disclosure under the LDA. This statement is false.
  - i. Natalia Veselnitskaya is the lawyer to Prevezon and the Katsyv family. Prevezon is a Cyprus company owned by a Russian national, which makes it a foreign entity under the LDA. Furthermore, on information and belief, both HRAGIF and Prevezon are being controlled/directed/influenced by the Russian Government (see Section III), and therefore should be considered as foreign principals under FARA.
  - ii. Natalia Veselnitskaya played a key role in organising screenings of the film intended to rewrite the history of Sergei Magnitsky (see Section II.3.C.). On information and belief, in doing so she is being directed by the Russian Government (see Section III), and therefore should be required to file under FARA.
- H. Because HRAGIF has filed false LDA registration filings with regards to both lobbying issues and a relationship with foreign entities, they are in direct violation of the LDA and the filing requirements under FARA.

## **2. Lobbying of Congress to remove “Magnitsky” from the Global Magnitsky Human Rights Accountability Bill**

- A. On 17 December 2015 the Global Magnitsky Human Rights Accountability Bill (“Global Magnitsky Bill”) was passed in the Senate.
- B. On 18 May 2016 the Global Magnitsky Bill was scheduled for markup by the House Foreign Affairs Committee. Republican Congressman Dana Rohrabacher tabled an amendment seeking the removal of Sergei Magnitsky’s name from the title of the Bill.<sup>7</sup>
- C. The following individuals lobbied for the removal of the name “Magnitsky” from the title:
  - i. Rinat Akhmetshin
    - a. According to the Daily Beast, a US Congressional Staffer said that Rinat Akhmetshin arrived at Congress with Ron Dellums (a

---

<sup>7</sup> See copy of Dana Rohrabacher’s letter to members of the House of Foreign Affairs Committee and accompanying articles, Appendix 2



- former Congressman) without an appointment to discuss the Global Magnitsky Bill, which was due for markup the following day.<sup>8</sup>
- b. The Staffer stated that, “*They said they were lobbying on behalf of a Russian company called Prevezon and asked us to delay the Global Magnitsky Act or at least remove Magnitsky from the name.*”<sup>9</sup>
- ii. Former Congressman Ron Dellums
- a. Attended Congress with Rinat Akhemtshin the day before the markup.
- iii. Mark Cymrot of Baker Hostetler
- a. Mark Cymrot is a Partner at Baker Hostetler, and is one of the lawyers instructed by Prevezon in the asset forfeiture case in New York.
- b. Mark Cymrot was in phone and email contact with Congressional staff members Doug Seay and Paul Behrends, briefing them as part of the anti-Magnitsky push to have Magnitsky’s name removed from the bill.<sup>10</sup>
- iv. Howard Schweitzer, Managing Partner of Cozen O’Connor Public Strategies
- a. On information and belief, he lobbied for the removal of Magnitsky’s name from the Global Magnitsky Bill.
- D. None of the individuals listed above filed any LDA filings with respect to their lobbying activities surrounding the Global Magnitsky Bill. Therefore they are acting in direct violation of LDA 1995.
- i. Rinat Akhemtshin is listed as an in-house lobbyist employed by HRAGIF for the purposes of its LDA filing. He has not filed any LDA filing in respect of lobbying work for Prevezon. Prevezon is also not mentioned in HRAGIF’s LDA filings as an affiliated organisation or foreign entity under sections 13 and 14 of its LDA filing.
- ii. Furthermore, even if Rinat Akhemtshin was on this occasion lobbying for HRAGIF rather than Prevezon, this activity would not be in accordance with their stated objective in their LDA filing, as it did not relate to “*foreign adoption issues.*”
- E. On information and belief, efforts to rename the Global Magnitsky Bill are under the control/influence/direction of the Russian Government (see Section III.3). Therefore any lobbying with respect to this Bill should be filed under FARA. None of the individuals above made any filings under FARA, and are therefore in violation of these requirements.

---

<sup>8</sup> <http://www.thedailybeast.com/articles/2016/05/18/putin-s-dirty-game-in-the-u-s-congress.html>

<sup>9</sup> Ibid.

<sup>10</sup> See Appendix 3 - email from Mark Cymrot to Doug Seay and Paul Behrends



- i. While lawyers representing foreign principals are exempt from filing under FARA, this is only true if the attorney does not try to influence policy at the behest of his client.<sup>11</sup> Mark Cymrot cannot rely on the lawyers exemption under FARA, as in this instance he was trying to influence policy.

### 3. Screening of the Documentary “The Magnitsky Act” in Washington

- A. A documentary by Russian filmmaker Andrei Nekrasov entitled, “The Magnitsky Act” (the “Film”) was screened in Washington DC on 13 June 2016, at the Newseum.
- B. The Film attempts to claim that the Magnitsky story as told by Mr Browder is untrue and that the Magnitsky Act was passed on the basis of an untrue story. The Film also seeks to exonerate the Russian Government officials who committed the \$230 million fraud.
- C. The Film was originally due to be premiered in the European Parliament in April 2016, but the screening was cancelled due to its controversial content. Natalia Veselnitskaya was reported in the Russian press as being one of the organisers of the screening, and a contributor to the film.<sup>12</sup> Several lobbyists connected to HRAGIF travelled to Europe for the screening, including Natalia Veselnitskaya, Anatoly Samochornov, and Rinat Akhmetshin.<sup>13</sup> Rinat Akhmetshin was also seen talking to Andrei Pavlov and Pavel Karpov, both of whom played a key role in the \$230 million Russian Treasury fraud which led to the passage of the Magnitsky Act (see Section III about Russian Government interests, below). Natalia Veselnitskaya also identifies herself as a Facebook friend of Pavel Karpov, who played a key role in the \$230 million Russian Treasury fraud.<sup>14</sup>
- D. The following individuals were involved with the promotion of the documentary in Washington:
  - i. Chris Cooper of Potomac Square Group was responsible for organising the screening.<sup>15</sup>
  - ii. Rinat Akhmetshin was also involved in organising the screening.<sup>16</sup>

<sup>11</sup> <https://www.fara.gov/fara-faq.html#9>

<sup>12</sup> <https://ruposters.ru/news/27-04-2016/evroparlament-film-o-magnitskom>

<sup>13</sup> Natalia Veselnitskaya was interviewed by several journalists after the event. Anatoly Samochornov and Rinat Akhmetshin can be seen in the background during those interviews. <http://www.ntv.ru/video/1278965/> ; <http://5-tv.ru/news/106468/>. See Appendix 4.

<sup>14</sup> For a screen shot of Veselnitskaya’s Facebook page, see Appendix 8

<sup>15</sup> “In the United States, Mr Nekrasov has retained the Potomac Square Group, a small public affairs and lobbying firm .....It is run by Chris Cooper, a former Wall Street Journal reporter. Mr Cooper rented the theatre in the Newseum and declined to say who was paying his company. “I’m putting this event together for the director” [http://www.nytimes.com/2016/06/10/world/europe/sergei-magnitsky-russia-vladimir-putin.html?\\_r=1](http://www.nytimes.com/2016/06/10/world/europe/sergei-magnitsky-russia-vladimir-putin.html?_r=1)

<sup>16</sup> “Akhmetshin told RFE/RL the showing was private due to copyright issues and that invitees included congressional staffers, as well as representatives from the U.S. State Department, the White House’s National Security Council, and members of the media” <http://www.rferl.org/content/nekrasov-browder-film-screening/27787150.html>



- E. The invitation to the screening advised that the event complied with congressional gift rules so that Members and staff of the U.S. Senate and House of Representatives may attend.<sup>17</sup>
- F. The screening was attended by the following members of the US executive and legislative branches:
- i. Kyle Parker (Staff member of the House of Foreign Affairs Committee)
  - ii. Paul Behrends (Staff member of the House of Foreign Affairs Committee)
  - iii. Jessica Roxburgh (Congressional Staff member to Republican Congressman Dana Rohrabacher)
  - iv. David Whiddon (US State Department)
  - v. Danielle Bayer (US State Department)
- G. The purpose of screening the Film in Washington DC in the presence of Congressional Staff members is a clear lobbying exercise to disseminate misinformation about Sergei Magnitsky, with a view to having the Magnitsky Act repealed and influence the outcome of the Prevezon case in New York.
- H. Through their involvement in the Film's screening and promotion in Washington DC, both Chris Cooper and Rinat Akhmetshin acted in violation of the LDA and FARA.
- i. Neither Chris Cooper nor Rinat Akhmetshin filed LDA registrations in respect of this event.
    - a. When Chris Cooper was asked by a reporter who was paying his company he refused to answer the question.<sup>18</sup>
  - ii. The screening of the film is linked to the interests of the Russian Government and also Prevezon (see Section III.4), and is an attempt by the lobbyists to influence public opinion and policy issues by the control/direction/influence of the Russian Government, and therefore FARA filings are required. Neither individual filed registrations under FARA.

#### 4. Lobbying Surrounding Russia Relations Hearing

- A. On 14 June 2016, the day after the Newseum event, Congressman Royce chaired a House Foreign Affairs Committee hearing on U.S. policy towards Putin's Russia.
- B. The hearing was attended by Andrei Nekrasov, Natalia Veselnitskaya and Rinat Akhmetshin.<sup>19</sup>

---

<sup>17</sup> Please see Appendix 5 for a copy of the invitation.

<sup>18</sup> "It's the director's event and the movie people" Cooper said. "I'm not gonna talk about who's paying for what and all that" [https://www.buzzfeed.com/rosiegray/newseum-will-host-controversial-magnitsky-film-screening-des?utm\\_term=.pgJyKLJ0Om#.vmgk21JVNV](https://www.buzzfeed.com/rosiegray/newseum-will-host-controversial-magnitsky-film-screening-des?utm_term=.pgJyKLJ0Om#.vmgk21JVNV)

<sup>19</sup> Please see Appendix 6 for photos of these individuals attending the Congressional Hearing



- C. Following that hearing, it was reported in the Russian press that Natalia Veselnitskaya filed a report with Congress containing evidence that the grounds for the Magnitsky Act were based on lies. She said, “*I am qualified to talk about it as a lawyer, and I am stating that I know the facts that can help the Congress to figure out this complicated story.*”<sup>20</sup>
- D. Andrei Nekrasov also provided Dana Rohrabacher with a written statement to be entered on the record, in which he repeated the false allegations that he makes in the Film.<sup>21</sup>
- E. Neither Natalia Veselnitskaya nor Rinat Akhmetshin filed any FARA or LDA filings with regards to this hearing. On information and belief, they are acting under the control/direction/influence of the Russian Government (see Section III), a FARA filing is required.
- i. While lawyers representing foreign principals are exempt from filing under FARA, this is only true if the attorney does not try to influence policy at the behest of his client.<sup>22</sup> By disseminating anti-Magnitsky material to Congress, Ms. Veselnitskaya is clearly trying to influence policy and is therefore in violation of her filing requirements under FARA.
  - ii. Furthermore, if Ms. Veselnitskaya was lobbying as a representative of HRAGIF, the organisation is in breach of its LDA filing for:
    - a. Failing to list her as a lobbyist
    - b. The lobbying was not in accordance with its stated objective of “*Foreign Adoption Issues.*”

## 5. Further Lobbyists Involved

### A. Glenn Simpson

- i. Glenn Simpson is a former Wall Street Journal correspondent who co-founded firms, SNS Global and Fusion GPS, which specialize in generating negative press against their clients’ opponents.
- ii. Four different journalists at the Financial Times, New York Times and the Wall Street Journal have all confirmed to Hermitage that Glenn Simpson has been hired by Prevezon to lobby for the anti-Magnitsky Campaign.
- iii. Neither Glenn Simpson, SNS Global or Fusion GPS has submitted any LDA or FARA filing in respect of its lobbying activities in relation to the anti-Magnitsky campaign, which is clearly seeking to influence U.S. public opinion on policy issues (namely to repeal the Magnitsky Act and de-rail the Global Magnitsky Act).

---

<sup>20</sup> <http://m.sputniknews.com/us/20160615/1041346419/veselnitskaya-congress-magnitsky.html>

<sup>21</sup> Please see Appendix 7 for Andrei Nekrasov’s Statement

<sup>22</sup> <https://www.fara.gov/fara-faq.html#9>

---



### III. The Russian Government Interest in Lobbying Activities by the Campaign

The Russian Government has a significant vested interest in repealing the 2012 Magnitsky Act and derailing the passage through Congress of the proposed Global Magnitsky Bill. As a result, there is reason to believe that the lobbying activities connected to the repealing of the Magnitsky Act are in the interests of the Russian Government, and should be declared pursuant to FARA.

#### 1. Historical evidence of the Russian Government interest in repealing the Magnitsky Act

- A. Shortly after beginning his third term as President, President Vladimir Putin made it his primary foreign policy objective to prevent the passage of the Magnitsky Act.
  - i. The *Signed Decree on Measures to Implement Foreign Policy*, published on 7 May 2012, stated that, with regard to relations with the United States of America, the primary objective is **“to work actively in prohibiting imposition of unilateral extraterritorial sanctions of the United States of America against Russian legal entities and individuals;”**<sup>23</sup>
- B. The initial reaction by the Russian Government to the 2012 passage of the Magnitsky Act was one of hostility.
  - i. During a press conference on 20 December 2012, following the passage of the Magnitsky Act, Russian President Vladimir Putin stated that, *““This is undoubtedly an unfriendly act towards the Russian Federation...it is outrageous to use [problems in Russia] as a pretext to adopt anti-Russian laws, when our side has done nothing to warrant such a response.”*<sup>24</sup>
  - ii. As an immediate retaliation to the Magnitsky Act the Russian Duma passed its own Anti-Magnitsky Law. On 28 December 2012, Vladimir Putin signed the law into effect which banned the adoption of Russian Children by Americans. It was also known as the “Law of Dima Yakovlev.”<sup>25</sup> The new law immediately halted adoption by American families of Russian children. In total 300 adoptions that were in progress were stopped.
  - iii. On 12 April 2013 the United States published its initial Magnitsky sanctions list, naming 18 individuals who would face visa bans and asset

<sup>23</sup> <http://www.kremlin.ru/events/president/news/15256>

<sup>24</sup> <http://thesantosrepublic.com/2012/12/22/president-putins-complete-news-conference-on-2012-highlights-u-s-magnitsky-act-human-rights-etc-full-text-and-video/>

<sup>25</sup> <http://www.metronews.ru/novosti/putin-schitaet-adekvatnym-otvet-gosdumy-na-akt-magnitskogo/Tpollt---QitiM3ypHIKs/>; <http://www.voanews.com/content/story-of-one-american-family-russian-adoption-told-in-documentary/1799234.html>



freezes pursuant to the Magnitsky Act. The following day, on 13 April 2013, the Russian Government retaliated by publishing its own list of 18 US Citizens that would be denied entry into the Russian Federation.<sup>26</sup>

**2. The animosity by the Russian Government towards the Magnitsky Act has not diminished over time, and in fact seems to have increased in the last 6 months.**

- A. On 3 December 2015 Russia's General Prosecutor Yuri Chaika provided a letter of reply to the newspaper Kommersant, in which he stated that; the adoption of the Magnitsky Act was the result of a large scale, deceitful PR campaign orchestrated by Mr. Browder to shift the blame for his crimes to Russian officials; and that the passage of the Magnitsky Act was based on emotions and anti-Russian sentiment rather than objective evidence.<sup>27</sup>
- B. Chaika's statements were part of a significant escalation in Russian Government Anti-Magnitsky propaganda since December 2015.
  - i. On 13 April 2016, Russian State-owned channel Russia-1 TV aired a 30 minute film called "The Browder Effect," accusing Mr. Browder of being a CIA spy recruited in the 1980's to bring down the USSR, of killing Sergei Magnitsky, and of committing the \$230 million Russian Treasury fraud.
  - ii. In April 2016, Andrei Nekrasov's documentary was due to be premiered in the European Parliament. While the screening was aborted, there were several former Russian government officials present, such as Pavel Karpov, who played an instrumental role in the fraud.
- C. On 31 May 2016, Russia's Foreign Minister Sergey Lavrov stated that the Magnitsky Act was an attempt by the US to contain Russia.<sup>28</sup>

**3. Russian Government officials are openly supporting the lobbying campaign to derail the Global Magnitsky Bill and repeal the Magnitsky Act**

- A. In April 2016, a 4-person US Congressional delegation to Russia which included Dana Rohrabacher were given a confidential letter by the Russian government, containing a series of allegations which mirrored the allegations being advanced by the anti-Magnitsky campaign.<sup>29</sup>
  - i. The author of the letter offered to bring the evidence to substantiate the allegations before the House Subcommittee on Oversight and Investigations.

<sup>26</sup><http://www.mk.ru/politics/2013/04/13/841062-moskva-obnarodovala-quotantimagnitskiy-spisokquot.html>

<sup>27</sup><http://www.kommersant.ru/doc/2876887>

<sup>28</sup>[http://www.mid.ru/foreign\\_policy/news/-](http://www.mid.ru/foreign_policy/news/-)

[/asset\\_publisher/cKNonkJE02Bw/content/id/2298019?p\\_p\\_id=101\\_INSTANCE\\_cKNonkJE02Bw&\\_101\\_INSTANCE\\_cKNonkJE02Bw\\_languageId=en\\_GB](/asset_publisher/cKNonkJE02Bw/content/id/2298019?p_p_id=101_INSTANCE_cKNonkJE02Bw&_101_INSTANCE_cKNonkJE02Bw_languageId=en_GB)

<sup>29</sup><http://www.thedailybeast.com/articles/2016/05/18/putin-s-dirty-game-in-the-u-s-congress.html>



- ii. The letter ended with the following political enticement “*Changing attitudes to the Magnitsky story in the Congress, obtaining reliable knowledge about real events and personal motives of those behind the lobbying of this destructive Act, taking into account the pre-election political situation may change the current climate in interstate relations. Such a situation could have a very favourable response from the Russian side on many key controversial issues and disagreements with the United States, including matters concerning the adoption procedures*”.
  - iii. Ken Grubbs, Dana Rohrabacher’s press secretary, confirmed that not only had the letter been provided by the Russian Government, but that “*most of the information from Russia comes from the government itself.*”<sup>30</sup>
  - iv. Following receipt of the letter, Dana Rohrabacher sought to temporarily delay the markup of the Global Magnitsky Bill. The deferral more or less coincided with the scheduled premiere of the film at the European Parliament, which repeats many of the allegations made in the letter.<sup>31</sup>
- B. Russian Government officials have commented extensively in the press in support of Nekrasov’s documentary.
- i. At least five Russian State TV channels sent representatives and camera crews to the aborted European Parliament screening of the Film in April 2016.
  - ii. Following the Film’s Washington screening, Sergei Lavrov, Russia’s Foreign Minister, told a Moscow newspaper that “*A great number of facts have appeared-including documentary films which, by the way, are forbidden from being shown in Europe for some reason – confirming that the death of Sergei Magnitsky was all the result of enormous trickery by this....Browder, who is an unscrupulous swindler*”<sup>32</sup> On 31 May 2016 he stated to a different paper that, “*Sergei Magnitsky’s death is the result of a huge scam by William Browder who is nothing but a sleazy crook.*”<sup>33</sup>
  - iii. On 15 June 2015, General Prosecutor Yuri Chaika stated “*Yesterday, you know, in Washington, the film was shown in a closed directed mode, the director Andrei Nekrasov, which, in principle, cannot be blamed for the love of Russia. He really made a few TV shows, movies, where, in principle, on the negative side was illuminated Russia. But he made a film about Magnitsky; but he found the courage, when shooting a film about Magnitsky, and saw what was happening and made a film-truth.*

---

<sup>30</sup> <http://www.thedailybeast.com/articles/2016/05/18/putin-s-dirty-game-in-the-u-s-congress.html>

<sup>31</sup> <http://www.thedailybeast.com/articles/2016/05/18/putin-s-dirty-game-in-the-u-s-congress.html>

<sup>32</sup> <https://next.ft.com/content/1eb38914-2ca4-11e6-a18d-a96ab29e3c95>

<sup>33</sup> [http://www.mid.ru/foreign\\_policy/news/-/asset\\_publisher/cKNonkJE02Bw/content/id/2298019?p\\_p\\_id=101\\_INSTANCE\\_cKNonkJE02Bw&\\_101\\_INSTANCE\\_cKNonkJE02Bw\\_languageId=en\\_GB](http://www.mid.ru/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/2298019?p_p_id=101_INSTANCE_cKNonkJE02Bw&_101_INSTANCE_cKNonkJE02Bw_languageId=en_GB)



*This film is a guilty verdict Browder, I think this film will be released here”<sup>34</sup>*

4. **The Russian Government also has a vested interest in ensuring that Prevezon Holdings Limited and its affiliated companies successfully defend asset forfeiture proceedings brought against them by the United States Government in New York, in which Prevezon is accused of laundering proceeds of the \$230 million fraud.**
  - A. Prevezon is owned by Denis Katsyv, the son of a Russian government official, Piotr Katsyv. Denis Katsyv currently has \$7million frozen by the Swiss General Prosecutor, pursuant to a criminal investigation by the Swiss authorities into the laundering of proceeds from the \$230 million fraud.
  - B. If the United States Government is successful in its civil forfeiture action against Prevezon, the ramifications for the Russian Government would be extremely significant. A judgment against Prevezon from a New York court would be the first judicial finding, globally, to find an entity guilty of laundering proceeds from the \$230 million fraud.
  - C. Such a decision would galvanise efforts in other countries that are already investigating the laundering of the proceeds, and would assist in encouraging other jurisdictions that have not yet opened up investigations to do so. Therefore it is in the Russian Government’s interests to do everything in its power to assist Prevezon in successfully defending these proceedings.
  - D. This concern was vocalised by General Prosecutor Yuri Chaika’s December 2015 statements in Kommersant magazine, in which he refers to the Prevezon case and states that if Prevezon are found guilty, the decision will legally validate Browder’s version of the entire story – from the embezzlement of Russian Treasury funds to the murder of Sergei Magnitsky. He also states that, *“the judgment undoubtedly would have precedential value in many countries.”<sup>35</sup>*

In summary, the recent lobbying and events which took place in Washington and Europe must be seen in the wider context of a sustained anti-Magnitsky campaign by the Russian Government. On the evidence above, on information and belief the Russian Government,

---

<sup>34</sup> <http://tass.ru/politika/3364968>

<sup>35</sup> *“Browder and his curators have decided to reinforce these vulnerable position by going to court in the United States. Russian businessman was charged. And now we are by watching with interest the process. There is no doubt that the calculation was the fact that under the powerful pressure of the US legal state machine will be concluded a settlement agreement with the defendant. Thereby held legally significant decision, and without examining the evidence by the court. And this decision, firstly, to be legalized version Browder that budget money is not he kidnapped and Russian officials, and secondly, underpinned by the court the way the theft of these funds, allegedly uncovered Magnitsky and put in the rationale for the adoption of the law, then named after him. In addition, the judgment undoubtedly would have precedential value in many countries.”* Russian General Prosecutor Yuri Chaika’s interview with Kommersant Magazine, 3<sup>rd</sup> December 2015.  
<http://www.kommersant.ru/doc/2876887>



through Prevezon, HRAGIF and Andrei Nekrasov, was behind all the lobbying activities outlined herein, and therefore should have been declared under FARA.

#### **IV. Conclusion**

1. With respect to the activities of the HRAGIF, we believe it filed inaccurate information in its LDA filings, and it failed to file FARA filings when it was required to do so.
    - A. In its LDA filings, the HRAGIF stated that its current and anticipated lobbying purpose is “foreign adoption issues;” however; the entity, its in-house lobbyists, and close associates were involved in the screening of the Nekrasov documentary in Washington and Europe, Congressional lobbying prior to the Global Magnitsky Bill markup, and Congressional lobbying surrounding the Putin hearing. These activities do not fall under the remit of “foreign adoption issues,” and therefore the information in HRAGIF’s LDA filings is inaccurate.
    - B. In its LDA filings, the HRAGIF stated that it had no relationship with a foreign entity that would require disclosure under the LDA. However, Natalia Veselnitskaya, a close associate of HRAGIF, is also the lawyer to Prevezon (a foreign entity). Therefore HRAGIF’s statement in their LDA filing is false.
  2. With respect to the lobbying of Congress to remove “Magnitsky” from the Global Magnitsky Bill, the following lobbyists involved have failed to file their lobbying activities with the relevant authorities, and are therefore in violation of their filing requirements under the LDA.
    - A. Rinat Akhmetshin (lobbying on behalf of Prevezon)
    - B. Ron Dellums
    - C. Mark Cymrot
    - D. Howard Schweitzer
  3. With respect to the promotion of the Film in Washington DC and Europe, the following lobbyists are in violation of their LDA requirements:
    - A. Chris Cooper
    - B. Rinat Akhmetshin
  4. Glenn Simpson also conducted lobbying activities for the Campaign, and failed to file a lobbying registration under the LDA.
  5. None of the entities or individuals above has filed under FARA. We believe that these lobbyists are attempting to influence U.S. public opinion on policy issues, specifically the repeal of the Magnitsky Act and the removal of “Magnitsky” from the Global Magnitsky Bill, and are working under the direction of the Russian Government.
-



6. As shown in Section III, there is a vested Russian Government interest in all the anti-Magnitsky lobbying activities outlined herein. Hermitage believes that both Prevezon and HRAGIF are being funded by and directed by the Russian Government to push its anti-Magnitsky agenda and influence US public policy, its objective being the repeal of the 2012 Magnitsky Act and the derailment of the proposed Global Magnitsky Act.
7. Taking this information into consideration, we urge you to commence a thorough investigation into the lobbying activities of the individuals and entities mentioned herein.

We remain available to provide you with any assistance you require.

Yours sincerely,

Hermitage Capital Management

*Hermitage Capital Management*

#### APPENDIX

- Appendix 1:** Email from A Samochornov to Thomas Klosowicz dated 26 April 2016 confirming Samochornov and Veselnitskaya's connection to HRAGIF
  - Appendix 2:** Dana Rohrabacher's letter to members of the House of Foreign Affairs Committee
  - Appendix 3:** Email from Mark Cymrot to Doug Seay and Paul Behrends
  - Appendix 4:** Photographs of Natalia Veselnitskaya, Anatoly Samochronov, Rinat Akhmetshin, Pavel Karpov and Andrei Nekrasov at aborted Brussels premiere of "The Magnitsky Act."
  - Appendix 5:** Copy of the invitation to the Newseum screening of the Magnitsky Act in Washington DC
  - Appendix 6:** Photograph of individuals attending Congressional hearing on 14 June 2016
  - Appendix 7:** Andrei Nekrasov's statement submitted to Dana Rohrabacher after Congressional Hearing on 14 June 2016
  - Appendix 8:** Screenshot of Natalia Veselnitskaya's Facebook page
-

PREET BHARARA  
United States Attorney for the  
Southern District of New York  
By: PAUL M. MONTELEONI  
MARGARET GRAHAM  
JAIMIE L. NAWADAY  
CRISTINE I. PHILLIPS  
Assistant United States Attorneys  
One Saint Andrew's Plaza  
New York, New York 10007  
Telephone: (212) 637-2219/2923/2275/2696  
Facsimile: (212) 637-0084  
E-mail: paul.monteleoni@usdoj.gov  
margaret.graham@usdoj.gov  
jaimie.nawaday@usdoj.gov  
cristine.phillips@usdoj.gov

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

<hr/>		:
		:
UNITED STATES OF AMERICA,		:
		:
Plaintiff,		:
		:
- against -		:
		:
PREVEZON HOLDINGS LTD.,		:
PREVEZON ALEXANDER, LLC,		:
PREVEZON SOHO USA, LLC,		:
PREVEZON SEVEN USA, LLC,		:
PREVEZON PINE USA, LLC,		:
PREVEZON 1711 USA, LLC,		:
PREVEZON 1810, LLC,		:
PREVEZON 2009 USA, LLC,		:
PREVEZON 2011 USA, LLC,		:
FERENCOI INVESTMENTS, LTD.,		:
KOLEVINS, LTD.,		:
		:
Defendants,		:
		:
ALL RIGHT, TITLE AND INTEREST		:
IN THE REAL PROPERTY AND		:
APPURTENANCES KNOWN AS THE 20		:
PINE STREET CONDOMINIUM, 20		:
PINE STREET, NEW YORK, NEW YORK		:

**SECOND AMENDED VERIFIED  
COMPLAINT**

No. 13 Civ. 6326 (TPG)

ECF Case

10005, UNIT 1816 ("20 PINE STREET, UNIT 1816"),

ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*8293 HELD IN THE NAME OF PREVEZON ALEXANDER LLC (THE "PREVEZON ALEXANDER ACCOUNT"),

ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*8084 HELD IN THE NAME OF PREVEZON SOHO USA LLC (THE "PREVEZON SOHO ACCOUNT"),

ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*6021 HELD IN THE NAME OF PREVEZON SEVEN USA LLC (THE "PREVEZON SEVEN ACCOUNT"),

ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*8349 HELD IN THE NAME OF PREVEZON 1711 USA, LLC (THE "PREVEZON 1711 ACCOUNT"),

ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*9102 HELD IN THE NAME OF PREVEZON 2009 USA, LLC (THE "PREVEZON 2009 ACCOUNT"),

ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*8242 HELD IN THE NAME OF PREVEZON PINE USA, LLC (THE "PREVEZON PINE ACCOUNT"),

ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*5882 HELD IN THE NAME OF PREVEZON 2011 USA, LLC (THE "PREVEZON 2011 ACCOUNT"),

ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER

\*\*\*\*\*9128 HELD IN THE NAME :  
OF PREVEZON 1810 USA, LLC (THE :  
"PREVEZON 1810 ACCOUNT"), :  
:

APPROXIMATELY \$1,379,518.90 :  
HELD BY THE UNITED STATES AS A :  
SUBSTITUTE RES FOR ALL RIGHT, :  
TITLE AND INTEREST IN THE REAL :  
PROPERTY AND APPURTENANCES :  
KNOWN AS THE 20 PINE STREET :  
CONDOMINIUM, 20 PINE STREET, :  
NEW YORK, NEW YORK 10005, UNIT :  
2009 (THE "20 PINE STREET, UNIT :  
2009 SALE PROCEEDS"), :

APPROXIMATELY \$4,429,019.44 :  
HELD BY THE UNITED STATES AS A :  
SUBSTITUTE RES FOR ALL RIGHT, :  
TITLE AND INTEREST IN THE REAL :  
PROPERTY AND APPURTENANCES :  
KNOWN AS ALEXANDER CONDOMINIUM, :  
250 EAST 49th STREET, NEW YORK, :  
NEW YORK 10017, UNIT COMM3 (THE :  
"250 EAST 49th STREET, UNIT :  
COMM3 SALE PROCEEDS"), :

APPROXIMATELY \$1,046,530.04 :  
HELD BY THE UNITED STATES AS A :  
SUBSTITUTE RES FOR ALL RIGHT, :  
TITLE AND INTEREST IN THE REAL :  
PROPERTY AND APPURTENANCES :  
KNOWN AS THE 20 PINE STREET :  
CONDOMINIUM, 20 PINE STREET, :  
NEW YORK, NEW YORK 10005, UNIT :  
2308 (THE "20 PINE STREET, UNIT :  
2308 SALE PROCEEDS"), :

APPROXIMATELY \$894,026.21 HELD :  
BY THE UNITED STATES AS A :  
SUBSTITUTE RES FOR ALL RIGHT, :  
TITLE AND INTEREST IN THE REAL :  
PROPERTY AND APPURTENANCES :  
KNOWN AS THE 20 PINE STREET :  
CONDOMINIUM, 20 PINE STREET, :  
NEW YORK, NEW YORK 10005, UNIT :  
1711 (THE "20 PINE STREET, UNIT :  
1711 SALE PROCEEDS"), :

A DEBT OF 3,068,946 EUROS OWED :  
 BY AFI EUROPE N.V. TO PREVEZON :  
 HOLDINGS RESTRAINED BY THE :  
 GOVERNMENT OF THE NETHERLANDS :  
 ON OR ABOUT JANUARY 22, 2014 :  
 (THE "AFI EUROPE DEBT"), :  
 :  
 and all property traceable :  
 thereto, :  
 :  
 Defendants in Rem. :  
 :  
 :

---

Plaintiff the United States of America (the "Government"),  
 by its attorney Preet Bharara, United States Attorney for the  
 Southern District of New York, for its verified complaint (the  
 "Complaint") alleges, upon information and belief, as follows:

**INTRODUCTION**

1. This action is brought by the Government pursuant to  
 18 U.S.C. §§ 981(a)(1)(A), 985, and 1956(b)(1) seeking the  
 forfeiture of certain property involved in laundering the  
 proceeds of a Russian tax refund fraud scheme and the imposition  
 of civil money laundering penalties.

2. The Government's claims arise out of the laundering of  
 proceeds of a criminal enterprise in Russia in a complicated  
 series of transactions including real estate purchases in the  
 Southern District of New York. As set forth in more detail  
 below, upon information and belief, a Russian criminal  
 organization including corrupt Russian government officials (the  
 "Organization") defrauded Russian taxpayers of approximately 5.4

billion rubles, or approximately \$230 million in United States dollars, through an elaborate tax refund fraud scheme. After perpetrating this fraud, members of the Organization have undertaken illegal actions in order to conceal this fraud and retaliate against individuals who attempted to expose it. As a result of these retaliatory actions, Sergei Magnitsky, a Russian attorney who exposed the fraud scheme, was falsely arrested and died in pretrial detention. Members of the Organization, and associates of those members, have also engaged in a broad pattern of money laundering in order to conceal the proceeds of the fraud scheme. This money laundering activity has included the purchase of pieces of Manhattan real estate with funds commingled with fraud proceeds.

3. By this Complaint, the Government seeks forfeiture of all right, title and interest in the following property:

a. ALL RIGHT, TITLE AND INTEREST IN THE REAL PROPERTY AND APPURTENANCES KNOWN AS THE 20 PINE STREET CONDOMINIUM, 20 PINE STREET, NEW YORK, NEW YORK 10005, UNIT 1816 ("20 PINE STREET, UNIT 1816"),

b. ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*8293 HELD IN THE NAME OF PREVEZON ALEXANDER LLC (THE "PREVEZON ALEXANDER ACCOUNT"),

c. ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*8084 HELD IN THE NAME OF PREVEZON SOHO USA LLC (THE "PREVEZON SOHO ACCOUNT"),

d. ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*6021 HELD IN THE NAME OF PREVEZON SEVEN USA LLC (THE "PREVEZON SEVEN ACCOUNT"),

e. ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*8349 HELD IN THE NAME OF PREVEZON 1711 USA, LLC (THE "PREVEZON 1711 ACCOUNT"),

f. ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*9102 HELD IN THE NAME OF PREVEZON 2009 USA, LLC (THE "PREVEZON 2009 ACCOUNT"),

g. ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*8242 HELD IN THE NAME OF PREVEZON PINE USA, LLC (THE "PREVEZON PINE ACCOUNT"),

h. ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*5882 HELD IN THE NAME OF PREVEZON 2011 USA, LLC (THE "PREVEZON 2011 ACCOUNT"),

i. ANY AND ALL FUNDS ON DEPOSIT IN BANK OF AMERICA ACCOUNT NUMBER \*\*\*\*\*9128 HELD IN THE NAME OF PREVEZON 1810 USA, LLC (THE "PREVEZON 1810 ACCOUNT"),

j. APPROXIMATELY \$1,379,518.90 HELD BY THE UNITED STATES AS A SUBSTITUTE RES FOR ALL RIGHT, TITLE AND INTEREST IN THE REAL PROPERTY AND APPURTENANCES KNOWN AS THE 20 PINE STREET CONDOMINIUM, 20 PINE STREET, NEW YORK, NEW YORK 10005, UNIT 2009 (THE "20 PINE STREET, UNIT 2009 SALE PROCEEDS"),

k. APPROXIMATELY \$4,429,019.44 HELD BY THE UNITED STATES AS A SUBSTITUTE RES FOR ALL RIGHT, TITLE AND INTEREST IN THE REAL PROPERTY AND APPURTENANCES KNOWN AS ALEXANDER CONDOMINIUM, 250 EAST 49th STREET, NEW YORK, NEW YORK 10017, UNIT COMM3 (THE "250 EAST 49th STREET, UNIT COMM3 SALE PROCEEDS"),

l. APPROXIMATELY \$1,046,530.04 HELD BY THE UNITED STATES AS A SUBSTITUTE RES FOR ALL RIGHT, TITLE AND INTEREST IN THE REAL PROPERTY AND APPURTENANCES KNOWN AS THE 20 PINE STREET CONDOMINIUM, 20 PINE STREET, NEW YORK, NEW YORK 10005, UNIT 2308 (THE "20 PINE STREET, UNIT 2308 SALE PROCEEDS"),

APPROXIMATELY \$894,026.21 HELD BY THE UNITED STATES AS A SUBSTITUTE RES FOR ALL RIGHT, TITLE AND INTEREST IN THE REAL PROPERTY AND APPURTENANCES KNOWN AS THE 20 PINE STREET CONDOMINIUM, 20 PINE STREET, NEW YORK, NEW YORK 10005, UNIT 1711 (THE "20 PINE STREET, UNIT 1711 SALE PROCEEDS")

m. A DEBT OF 3,068,946 EUROS OWED BY AFI EUROPE N.V. TO PREVEZON HOLDINGS RESTRAINED BY THE GOVERNMENT OF THE NETHERLANDS ON OR ABOUT JANUARY 22, 2014 (THE "AFI EUROPE DEBT"),

and all property traceable thereto,

(the "Defendants in Rem").

4. The Government also seeks civil money laundering penalties against PREVEZON HOLDINGS, LTD. ("PREVEZON HOLDINGS"); PREVEZON ALEXANDER, LLC ("PREVEZON ALEXANDER"), PREVEZON SOHO USA, LLC ("PREVEZON SOHO"), PREVEZON SEVEN USA, LLC ("PREVEZON SEVEN"), PREVEZON PINE USA, LLC ("PREVEZON PINE"), PREVEZON 1711 USA, LLC ("PREVEZON 1711"), PREVEZON 1810, LLC ("PREVEZON 1810"), PREVEZON 2009 USA, LLC ("PREVEZON 2009"), and PREVEZON 2011 USA, LLC ("PREVEZON 2011") (collectively the "Prevezon Entities"); FERENCOI INVESTMENTS, LTD. ("FERENCOI"); and KOLEVINS, LTD. ("KOLEVINS") (FERENCOI, KOLEVINS and the Prevezon Entities collectively, the "Defendants in Personam") in an

amount to be determined at trial.

**JURISDICTION AND VENUE**

5. This Court has jurisdiction over this action pursuant to 28 U.S.C. §§ 1345 and 1355(a) and (b) (1) (A).

6. Venue is proper pursuant to 28 U.S.C. § 1355(b) (1) (A) because acts and omissions giving rise to the forfeiture took place in the Southern District of New York.

**FACTUAL ALLEGATIONS**

7. PREVEZON HOLDINGS, LTD. ("PREVEZON HOLDINGS") is a holding company incorporated and registered in the Republic of Cyprus. It was incorporated on September 26, 2005 and has been registered in New York State as a foreign business corporation since November 12, 2009.

8. DENIS KATSYV has been the sole shareholder of PREVEZON HOLDINGS (either in his own name alone or in his own name and in the name of another company he wholly owns) since June 19, 2008.

9. TIMOFEY KRIT is a director of PREVEZON HOLDINGS and was the sole shareholder of PREVEZON HOLDINGS from August 29, 2006 to June 18, 2008.

10. ALEXANDER LITVAK is a business partner of KATSYV and has been the beneficial owner of the bank accounts of PREVEZON HOLDINGS at UBS, master number ending in 81, including U.S. dollar account number ending in 81.60Y (the "PREVEZON HOLDINGS 8160 Account") and Euro account number ending in 81.70U (the

"PREVEZON HOLDINGS 8170 Account"), since December 16, 2005.

11. The New York limited liability companies PREVEZON ALEXANDER, LLC ("PREVEZON ALEXANDER"), PREVEZON SOHO USA, LLC ("PREVEZON SOHO"), PREVEZON SEVEN USA, LLC ("PREVEZON SEVEN"), PREVEZON PINE USA, LLC ("PREVEZON PINE"), PREVEZON 1711 USA, LLC ("PREVEZON 1711"), PREVEZON 1810, LLC ("PREVEZON 1810"), PREVEZON 2009 USA, LLC ("PREVEZON 2009"), and PREVEZON 2011 USA, LLC ("PREVEZON 2011") (the "PREVEZON SUBSIDIARIES," together with PREVEZON HOLDINGS, the "PREVEZON ENTITIES"), are subsidiaries of PREVEZON HOLDINGS that are wholly owned by PREVEZON HOLDINGS together with KATSYV, through a different company he wholly owns. The PREVEZON SUBSIDIARIES share the same counsel as PREVEZON HOLDINGS.

12. FERENCOI INVESTMENTS, LTD. ("FERENCOI") is a British Virgin Islands company founded in 2003 and beneficially owned by KATSYV.

13. KOLEVINS, LTD. ("KOLEVINS") is a British Virgin Islands company founded in 2004 and beneficially owned by LITVAK. KRIT is listed as the sole director and shareholder of KOLEVINS.

14. Hermitage Capital Management Limited ("Hermitage") is an investment advisory firm. Hermitage has primarily advised the Hermitage Fund, an investment fund focused on investments in Russia. Until 2006, the Hermitage Fund was the largest foreign

portfolio investor in Russia.

15. HSBC Private Bank (Guernsey) Limited ("HSBC Guernsey") is a Guernsey-based entity that served as trustee to the Hermitage Fund during all relevant periods.

16. OOO Rilend ("Rilend"), OOO Parfenion ("Parfenion"), and OOO Makhaon ("Makhaon") are Russian Hermitage Fund portfolio companies owned by HSBC Guernsey as trustee through two shareholding vehicles, but, as set forth in more detail below, fraudulently re-registered to members of the Organization in 2007 as part of the fraud scheme giving rise to this action.

17. Sergei Magnitsky was a Russian attorney who represented Hermitage in investigating the activities of the Organization, who was arrested at the direction of a member of the Organization, and who died in pretrial detention on November 16, 2009 at the age of 37.

## **I. THE \$230 MILLION FRAUD SCHEME**

### **A. Overview**

18. Upon information and belief, in 2007 the Organization engaged in an elaborate tax refund fraud scheme resulting in a fraudulently-obtained tax refund of approximately \$230 million (the "\$230 Million Fraud Scheme"). As part of the \$230 Million Fraud Scheme, members of the Organization stole the corporate identities of the Hermitage portfolio companies Rilend, Parfenion, and Makhaon (the "Hermitage Companies"), and then

used these stolen identities to make fraudulent claims for tax refunds.

19. In order to procure the refunds, the Organization fraudulently re-registered the Hermitage Companies in the names of members of the Organization, and then orchestrated sham lawsuits against these companies. These sham lawsuits involved members of the Organization as both the plaintiffs (representing sham commercial counterparties suing the Hermitage Companies) and the defendants (purporting to represent the Hermitage Companies). In each case, the members of the Organization purporting to represent the Hermitage Companies confessed full liability in court, leading the courts to award large money judgments to the plaintiffs.

20. The purpose of the sham lawsuits was to fraudulently generate money judgments against the Hermitage Companies. Members of the Organization purporting to represent the Hermitage Companies then used those money judgments to seek tax refunds. The basis of these refund requests was that the money judgments constituted losses eliminating the profits the Hermitage Companies had earned, and thus that the Hermitage Companies were entitled to a refund of the taxes that had been paid on these profits. The requested refunds totaled 5.4 billion rubles, or approximately \$230 million.

21. Members of the Organization who were officials at two

Russian tax offices corruptly approved the requests on the same day that they were made or the next business day, and approximately \$230 million was disbursed to members of the Organization, purporting to represent the Hermitage Companies, two days later.

**B. Planning of \$230 Million Fraud Scheme and Fraudulent Re-Registration of Hermitage Companies**

22. On information and belief, the \$230 Million Fraud Scheme began on or about April 28, 2007, when key members of the Organization flew to Larnaca, Cyprus to plan the crime. On that date, ARTEM KUZNETSOV, then a Lieutenant Colonel in Russia's Interior Ministry, flew with DMITRY KLYUEV, a convicted fraudster, the owner of the Russian bank Universal Savings Bank ("USB"), and on information and belief the mastermind of the Organization, from Moscow to Larnaca on a private jet. On information and belief, they were met in Larnaca two days later by PAVEL KARPOV, then a Major in Russia's Interior Ministry, as well as two lawyers, ANDREY PAVLOV and his wife YULIA MAYOROVA, all of whom flew together from Moscow on Aeroflot SU-487. PAVLOV had known KLYUEV since 2001 and had provided him legal services from time to time.

23. On May 5 and 6, 2007, the Interior Ministry officers KUZNETSOV and KARPOV, and the lawyers PAVLOV and MAYOROVA, returned to Moscow. On May 8, 2007, the convicted fraudster

KLYUEV was met in Larnaca by OLGA STEPANOVA, the head of Moscow Tax Office No. 28, and her then-husband VLADLEN STEPANOV, who flew to Larnaca together on Aeroflot SU-237. Subsequently, KLYUEV, STEPANOVA, and STEPANOV returned to Moscow.

24. Approximately one month later, on or about June 4, 2007, KUZNETSOV led approximately 25 officers in a search of Hermitage's office in Moscow. The officers removed Hermitage's computer server, virtually all of its computers, and dozens of boxes of confidential financial documents and records. Later that day, KUZNETSOV joined approximately 25 officers in a search of the offices of Firestone Duncan, a law firm that was advising HSBC Guernsey and Hermitage. The officers seized the original statutory and financial documents of the Hermitage Companies (Rilend, Parfenion, and Makhaon), as well as Firestone Duncan's computer server and other computers and documents. The officers who identified themselves during these searches were from the Moscow office of the Interior Ministry.

25. Among the items seized in the searches of Hermitage's and Firestone Duncan's offices were the corporate stamps, the official charters, the original tax certificates, and original registration certificates (the "corporate documents and seals") for Rilend, Parfenion, and Makhaon. In denying requests from Hermitage to return the corporate documents and seals, the Russian Interior Ministry subsequently confirmed that these

documents and seals, which were seized in the searches led by KUZNETSOV, remained in the custody of his colleague KARPOV.

26. Unbeknownst to Hermitage or HSBC Guernsey, members of the Organization used the seized corporate documents and seals to fraudulently re-register ownership of Rilend, Parfenion, and Makhaon with the Russian corporate registry. The ownership of these companies was fraudulently transferred in the registry from the shareholding vehicles of HSBC Guernsey, which had been holding them in trust for the Hermitage Fund, to OOO PLUTON ("PLUTON"), a Russian company wholly owned by VICTOR MARKELOV, identified by court documents as a former sawmill employee who had been convicted of manslaughter in 2002.

27. Part of the process of transferring ownership of the Hermitage Companies to PLUTON in the corporate registry involved obtaining a court judgment confirming the change of ownership. On June 15, 2007, a body purporting to be the permanent arbitration court of the corporation OOO DETOKS issued a ruling stating that full ownership of the Hermitage Companies was transferred to PLUTON. On July 30, 2007, the arbitration court of the Tatarstan Republic (a federal subject of Russia) confirmed the purported DETOKS arbitration court ruling transferring ownership of the Hermitage Companies to Pluton. However, on information and belief, DETOKS does not operate a genuine arbitration court. DETOKS has no discernible presence

on Russian legal databases, and the registered headquarters for DETOKS is a dilapidated residential building, photographs of which are attached hereto as Exhibit A.

28. PLUTON then registered new charters for the Hermitage Companies, and the Russian corporate registry shows that HSBC executives who had previously served as directors of the Hermitage Companies were replaced by individuals with criminal records: MARKELOV became fraudulently listed as director of Parfenion, VIACHESLAV KHLEBNIKOV, a convicted extortionist and burglar, became fraudulently listed as director of Makhaon, and VALERY KUROCHKIN, a convicted burglar, became fraudulently listed as director of Rilend.

**C. Forging of Backdated Contracts and Filing of Sham Lawsuits Against Hermitage Companies**

29. On information and belief, the members of the Organization who had stolen the corporate identities of the Hermitage Companies used the seized corporate documents and seals to forge backdated contracts with sham commercial counterparties for use in sham lawsuits against the Hermitage Companies.

30. The forged contracts involved three sham counterparties, LOGOS PLUS, INSTAR, and GRAND ACTIVE. The forged contracts were virtually identical in form, purporting to require the Hermitage Companies to supply securities to the sham

counterparty and to compensate the sham counterparty for its lost profits for failing to supply the securities. Indeed, the forged contracts between LOGOS PLUS, INSTAR, GRAND ACTIVE, and the Hermitage Companies were essentially identical except that the parties to the contracts and the figures had been changed.

31. The forged contracts contained multiple suspicious features. The contracts between LOGOS PLUS and the Hermitage Companies purported to require LOGOS PLUS, a company with total capital at the time of approximately U.S. \$300, to pay the Hermitage Companies approximately U.S. \$500 million to buy securities. Additionally, the forged contracts included extensive confidential information about the Hermitage Companies including bank account information, information on assets and holdings, custodian banks, and addresses of registration and incorporation of the Hermitage Companies. Such information was confidential, but was contained in the records that had been seized from Hermitage and Firestone Duncan on or about June 4, 2007. Moreover, although referencing confidential information, the contracts contained various mistakes and inaccuracies, including referencing bank accounts that had not yet been opened, and using addresses that were incorrect as of the relevant time.

32. Further, the LOGOS PLUS contracts referred to a power of attorney given an individual named Alexandr Strazhev

authority to sign on behalf of LOGOS PLUS. This power of attorney identified Strazhev by reference to a passport number. The passport number corresponded to a passport not issued to Strazhev but to a third person, who had reported the passport as missing in 2005.

33. The forged contracts were used by LOGOS PLUS, INSTAR, and GRAND AKTIVE to file a series of sham lawsuits against the Hermitage Companies in arbitration courts in Moscow, St. Petersburg, and Kazan (the capital of the Tatarstan Republic) in or about July to November of 2007.

34. In these sham lawsuits, the Hermitage Companies were purportedly represented by attorneys; these attorneys were, in fact, entirely unknown to Hermitage or HSBC Guernsey. These attorneys included PAVLOV and MAYOROVA, the lawyers who had flown to Larnaca in or about April 2007 with KARPOV and, on information and belief, had met there with other members of the Organization including KARPOV's colleague KUZNETSOV, who had led the June 2007 searches. Hermitage and HSBC had no prior knowledge of or acquaintance with the attorneys that purported to represent the Hermitage Companies in these sham lawsuits, and had never hired them or authorized their appointment in any way. These lawyers were not in fact representing Hermitage or HSBC but were, on information and belief, members of the Organization relying on forged powers of attorney.

35. The lawyers purporting to represent the Hermitage Companies appeared in the sham lawsuits, and, instead of mounting any actual defense of the claims, acknowledged the validity of the forged contracts and conceded full liability.

36. These sham lawsuits were not truly contested proceedings but instead were orchestrated with members of the Organization on both sides, for the purpose of fraudulently obtaining large money judgments against the Hermitage Companies on the basis of the forged contracts. Indeed, PAVLOV, one of the attorneys appearing as counsel purportedly on behalf of the Hermitage Companies in sham St. Petersburg proceedings against LOGOS PLUS, appeared as counsel for plaintiff GRAND AKTIVE - that is, suing the Hermitage Companies - in the sham Kazan proceedings.

37. Ultimately, between July 30, 2007 and December 11, 2007, the courts in St. Petersburg, Moscow, and Kazan awarded judgments totaling at least approximately U.S. \$973 million against the Hermitage Companies on the basis of the fraudulent legal proceedings.

#### **D. Tax Refunds Based on Fraudulently Procured Judgments**

38. On information and belief, members of the Organization, purporting to represent the Hermitage Companies, used the fraudulently-obtained judgments against the Hermitage Companies to apply for a tax refund, and members of the

Organization who worked at two Russian tax offices corruptly approved the tax refund.

39. As part of their theft of the corporate identities of the Hermitage Companies, members of the Organization fraudulently re-registered the Hermitage Companies so as to cause their taxes to be processed by two particular tax offices. Specifically, the corporate registry reflects that Rilend was re-registered to an address within the jurisdiction of Moscow Tax Office No. 25, and that Parfenion and Makhaon were re-registered to addresses within the jurisdiction of Moscow Tax Office No. 28. During the relevant period, the head of Moscow Tax Office No. 25 was YELENA KHIMINA, who on information and belief is a member of the Organization, and the head of Moscow Tax Office No. 28 was STEPANOVA, who had traveled to Larnaca in May of 2007 and on information and belief met with KLYUEV to plan the \$230 Million Fraud Scheme.

40. On December 21 and 24, 2007, after the fraudulently-obtained judgments were issued but before one of them came into legal effect, members of the Organization submitted applications on behalf of the Hermitage Companies for refunds totaling 5.4 billion rubles or U.S. \$230 million to Moscow Tax Offices No. 25 and 28.

41. The basis for the requested refund was that the cumulative U.S. \$973 million judgments against the Hermitage

Companies from the sham lawsuits represented losses that were equal to, and thus negated, the profits the Hermitage Companies had made during the last tax year, entitling the Hermitage Companies to a refund of the taxes paid on those profits.

42. In subsequent investigation, officials at Tax Offices No. 25 and 28 made witness statements claiming that amended tax returns were submitted in or about November of 2007 and claiming to have taken certain steps to verify the legitimacy of the claimed losses. These statements do not appear to be fully accurate. One official claimed, among other things, to have checked with the corresponding tax authorities whether the plaintiffs in the sham lawsuits had reported receivables corresponding to the fraudulently-obtained judgments, and to have found positive receivables reported. However, the forms INSTAR and GRAND AKTIVE actually filed with the tax authorities show zero receivables over all relevant time periods.

43. One of the judgments on which the refund applications were based, by its own terms, did not go into legal effect until January 11, 2008.

44. Nevertheless, on December 24, 2007 - the same day that most of the refund applications were filed and one business day after the others were filed - KHIMINA and STEPANOVA, as heads of Moscow Tax Offices 25 and 28, approved the U.S. \$230 million in refunds, which on information and belief amounted to the largest

known tax refunds in Russian history.

45. As set forth in more detail in Part III, below, on December 26, 2007, just two days after most of the applications were made, refunds totaling U.S. \$230 million were paid from the Russian treasury to bank accounts established in the name of the Hermitage Companies but, on information and belief, controlled by members of the Organization, and then laundered into a number of accounts and pieces of real property around the world by members and associates of the Organization.

**E. Similarities between 2007 \$230 Million Fraud Scheme and 2006 Fraud Scheme**

46. The \$230 Million Fraud Scheme is strikingly similar to what appears to have been a fraud scheme carried out by the Organization in 2006 involving two subsidiaries of Rengaz Holdings Limited ("Rengaz"), an offshore investment fund.

47. On information and belief, in April 2006, two subsidiaries of Rengaz (the "Rengaz Companies") were sued by purported commercial counterparties.

48. The lawsuits were brought in the Moscow and Kazan Arbitration Courts, two of the same courts in which the sham lawsuits against the Hermitage Companies were brought.

49. The lawsuits were based on contracts almost identical to the forged contracts between LOGOS PLUS, INSTAR, and GRAND ACTIVE and the Hermitage Companies. For example, the forged

contract between LOGOS PLUS and Parfenion, used in the \$230 Million Fraud Scheme, is essentially identical to the contract between one of the Rengaz Companies and its purported commercial counterparty, with only company names, dates, and sums changed.

50. PAVLOV represented the plaintiffs in the lawsuits against the Rengaz Companies, similar to in the \$230 Million Fraud Scheme (where he represented both the plaintiff and the defendant in different actions).

51. The representatives purportedly acting on behalf of the Rengaz Companies acknowledged the validity of the contracts and conceded full liability, just as the lawyers purportedly acting on behalf of the Hermitage Companies did in the \$230 Million Fraud Scheme.

52. Just as in the \$230 Million Fraud Scheme, the plaintiffs were awarded judgments that fully offset the prior profits of the Rengaz Companies.

53. These judgments then formed the basis for tax refunds of approximately U.S. \$107 million, which were approved by Moscow Tax Offices No. 25 and 28, the same tax offices that approved the U.S. \$230 million refunds in the \$230 Million Fraud Scheme. Prior to the refund application, the Rengaz Companies were moved to Moscow Tax Offices No. 25 and 28, just as in the \$230 Million Fraud Scheme.

54. The Rengaz Companies opened bank accounts at USB, the

bank owned by KLYUEV, the convicted fraudster who flew KUZNETSOV to Larnaca on a private jet to plan the \$230 Million Fraud Scheme, and the Rengaz Companies deposited large amounts there after the refunds. As described in more detail in Part III, below, the \$230 Million Fraud Scheme also involved the opening of USB accounts in the name of two of the Hermitage Companies and the use of those accounts to launder the fraud proceeds.

**II. RETALIATION FOR INVESTIGATION OF THE  
\$230 MILLION FRAUD SCHEME**

**A. Investigation of \$230 Million Fraud Scheme by Sergei  
Magnitsky and Others**

55. In or about October of 2007, Hermitage was contacted by the bailiff of the St. Petersburg court about the cases against the Hermitage Companies. This was Hermitage's first notice of the sham lawsuits. Attorneys retained by Hermitage, including Sergei Magnitsky, began to investigate the \$230 Million Fraud Scheme.

56. In or about the second half of October–November 2007, Magnitsky and others had discovered the theft of the corporate identities of the Hermitage Companies and the involvement of KARPOV and KUZNETSOV. In early December 2007, Hermitage and HSBC Guernsey filed six criminal complaints with law enforcement agencies in Russia, naming KUZNETSOV and KARPOV as key individuals involved. Of these, four were rejected or ignored and one was assigned to KARPOV to investigate, despite the fact

that he was named as a suspect. The fraudulent tax refund application and payment followed several weeks later.

57. On February 5, 2008, the Investigative Committee of the Prosecutor's Office opened a criminal case regarding the fraudulent re-registration of the Hermitage Companies. In June of 2008, Magnitsky gave testimony about the role of KUZNETSOV, KARPOV, and other officials involved in this misappropriation.

**B. Criminal Investigations of Magnitsky and Other Hermitage Lawyers**

58. In or about May of 2008, KUZNETSOV approved a crime report which was used to open a criminal case against the two lawyers representing Hermitage who had prepared and filed the criminal complaints against him. These lawyers fled Russia.

59. By the summer of 2008, after the payment of the \$230 million tax refund, Magnitsky had uncovered the \$230 Million Fraud Scheme, and Hermitage and HSBC filed additional criminal complaints with Russian law enforcement agencies about the tax fraud.

60. In or about October of 2008, Magnitsky again testified about the Organization, including about the roles of KUZNETSOV and KARPOV in the \$230 Million Fraud Scheme.

61. On or about November 6, 2008, the Interior Ministry appointed KUZNETSOV and his subordinates to investigate the \$230 Million Fraud Scheme, although they had been named by Magnitsky

as key perpetrators; on or about November 12, 2008 the Interior Ministry appointed KUZNETSOV and his subordinates to investigate Magnitsky and Hermitage.

62. On November 24, 2008, KUZNETSOV's team arrested Magnitsky.

63. In addition to Magnitsky's arrest, Interior Ministry officers working under the supervision of KUZNETSOV attempted to arrest additional lawyers representing Hermitage; these lawyers fled Russia.

### **C. Magnitsky's Detention and Death**

64. Magnitsky was kept in pretrial detention for almost one year. He died on or about November 16, 2009 in Matrosskaya Tishina Prison in Moscow, Russia.

65. On information and belief, at or about 10:30 AM on November 17, 2009, Matrosskaya Tishina prison staff informed Magnitsky's lawyers that Magnitsky died of pancreonecrosis, rupture of the abdominal membrane, and toxic shock. At noon on that day, an Interior Ministry spokesperson reported his cause of death as heart failure. Magnitsky was 37 years old.

66. On July 6, 2011, Russian President Dimitry Medvedev's Human Rights Council announced the results of its independent investigation into the death of Sergei Magnitsky. The Human Rights Council concluded that Sergei Magnitsky's arrest and detention was illegal; he was denied access to justice by the

courts and prosecutors of the Russian Federation; he was investigated by the same law enforcement officers whom he had accused of stealing Hermitage Fund companies and illegally obtaining a fraudulent U.S. \$230,000,000 tax refund; he was denied necessary medical care in custody; he was beaten by 8 guards with rubber batons on the last day of his life; and the ambulance crew that was called to treat him as he was dying was deliberately kept outside of his cell for one hour and 18 minutes until he was dead.

67. The report of the Human Rights Council also states the officials falsified their accounts of what happened to Sergei Magnitsky and, 18 months after his death, no officials had been brought to trial for his false arrest or the crimes he had uncovered.

68. The Public Oversight Commission of the City of Moscow for the Control of the Observance of Human Rights in Places of Forced Detention, an organization empowered by Russian law to independently monitor prison conditions, concluded on December 29, 2009, "The members of the civic supervisory commission have reached the conclusion that Magnitsky had been experiencing both psychological and physical pressure in custody, and the conditions in some of the wards of Butyrka [one of the facilities in which Magnitsky was detained] can be justifiably called torturous."

**D. Reaction to Magnitsky's Death and Exposure of \$230 Million Fraud Scheme**

69. On April 28, 2009, MARKELOV, the sawmill employee convicted of manslaughter, pled guilty in a Russian court to tax fraud amounting to approximately U.S. \$230 million in connection with the \$230 Million Fraud Scheme. On March 10, 2011, KHLEBNIKOV, the convicted extortionist and burglar, also pled guilty to the U.S. \$230 million tax fraud scheme. The verdict announcing MARKELOV's sentence claimed that the tax authorities were deceived by MARKELOV and not complicit. MARKELOV and KHLEBNIKOV were each sentenced to a five-year term of imprisonment.

70. KUROCHKIN, the third member of the Organization to be fraudulently named director of one of the Hermitage Companies, was found dead on April 30, 2008 in Boripsol, Ukraine. The official cause of death was cirrhosis. KUROCHKIN was 43 years old.

71. An article in the Russian newspaper Novaya Gazeta reported that the Organization continued to commit similar tax refund fraud schemes in 2009 and 2010, including the theft of millions of dollars more in fraudulent refunds authorized by Moscow Tax Office 28 and routed through a bank registered at the same address as KLYUEV's bank USB.

72. In August of 2011, the Russian General Prosecutor's Office reopened the criminal case against Magnitsky, almost two years after his death. Magnitstky was charged with tax evasion in the first known posthumous prosecution in Russian history. On July 11, 2013, Magnitsky was declared guilty, though the case was dismissed due to his death.

73. On December 14, 2012, President Barack Obama signed the Sergei Magnitsky Rule of Law Accountability Act of 2012, which directs the President to create, and publish in the Federal Register to the extent unclassified, a list of persons who, inter alia, were responsible for the detention, abuse, or death of Sergei Magnitsky; participated in efforts to conceal the legal liability for the detention, abuse, or death of Sergei Magnitsky; financially benefitted from the detention, abuse, or death of Sergei Magnitsky; or were involved in the criminal conspiracy uncovered by Sergei Magnitsky. See Pub. L. No. 112-208, 126 Stat. 1496.

74. On April 12, 2013, the United States Department of Treasury's Office of Foreign Assets Control published the list called for by the Act, which includes, among others, KARPOV, KUZNETSOV, KHIMINA, and STEPANOVA. See 78 Fed. Reg. 23827-01 (Apr. 22, 2013).

**III. LAUNDERING OF PROCEEDS OF THE  
\$230 MILLION FRAUD SCHEME**

75. Once the fraudulent tax refund was authorized, members of the Organization, as well as associates of the Organization, engaged in a complicated series of transactions in order to launder the fraud proceeds and distribute them amongst the members and associates of the Organization. On information and belief, these transfers often involved the use of shell companies, nominees, and commingling of the proceeds of the \$230 Million Fraud Scheme with other funds in order to launder the fraud proceeds.

76. Certain of these transfers, described below, are summarized on a diagram attached hereto as Exhibit B.

**A. Payments From Russian Treasury to Misappropriated  
Hermitage Companies**

77. On December 26, 2007, two days after members of the Organization made, and the Moscow Tax Offices 25 and 28 approved, the fraudulent refund applications, the Russian treasury made a series of transfers totaling approximately 5.4 billion rubles to accounts that were set up in the names of the Hermitage Companies (Parfenion, Rilend, and Makhaon) at two banks, Intercommerz and USB.

- a. As to Parfenion, the Russian Treasury made three transfers on December 26, 2007 to an account in the name of Parfenion at the Russian bank Intercommerz (the "Parfenion Intercommerz Account"). The three transfers totaled approximately 3.276 billion rubles.

- b. As to Rilend, the Russian Treasury made two transfers on December 26, 2007 to an account in the name of Rilend at the Russian bank USB (the "Rilend USB Account"). The two transfers totaled approximately 1.76 billion rubles.
- c. As to Makhaon, the Russian Treasury made two transfers on December 26, 2007 to an account in the name of Makhaon at USB (the "Makhaon USB Account"). The two transfers totaled approximately 373 million rubles.

78. The Parfenion Intercommerz Account was opened on December 20, 2007 (six days before the transfers from the Russian Treasury) by MARKELOV, the sawmill operator. Intercommerz was at the time the 432nd largest bank in Russia.

79. The Rilend USB Account was opened on or about December 17, 2007 (nine days before the transfers from the Russian Treasury) by KUROCHKIN. The Makhaon USB Account was opened on or about December 12, 2007 (two weeks before the transfers from the Russian Treasury) by KHLEBNIKOV. USB was at the time the 920th largest bank in Russia.

80. In testimony in connection with his 2006 conviction for fraud, KLYUEV admitted that he had purchased USB in November 2004 from its former owners and re-registered it to a number of companies effectively controlled by KLYUEV, and that the board of directors of the bank was a nominal body. The chairman of the board of USB was GENNADY PLAKSIN, who was the 100% owner of INSTAR, one of the sham plaintiffs in the litigation against the Hermitage Companies. ALEXEI ZABOLOTKIN, a shareholder of USB,

was the 100% owner and director of GRAND AKTIVE until 2006. As set forth in Part I.C, above, GRAND AKTIVE would go on to be another sham plaintiff in 2007.

81. USB was voluntarily liquidated in or about June of 2008.

82. The Interior Ministry stated publicly that it could not trace the fraudulent tax refund money because the relevant documents from USB were burned in a truck crash.

**B. Transfers from Accounts of Misappropriated Hermitage Companies Through Intermediaries**

83. From on or about January 21, 2008 through on or about January 25, 2008, the Parfenion Intercommerz Account made a series of six transfers to an account at the Russian bank Sberbank in the name of a company called ZhK (the "ZhK Account"). These six transfers totaled approximately 430 million rubles.

- a. ZhK was established in or about November 2003 by a resident of Moscow ("Individual-1"). On information and belief, Individual-1 has told reporters, in substance and in part, that although she filed documents with the tax office, she "knew nothing of ZhK." "I have never been a shareholder or director of the company," she was quoted as saying. "I didn't have a job, and I found an Internet commercial that said there was a possibility to work as courier and applicant for different companies." On information and belief, in or about November 2008, ZhK was folded into a new commercial entity along with two other companies, and the address of the new entity is in Vladivostok, thousands of miles from Moscow.

84. From on or about January 18, 2008 through on or about

February 3, 2008, the Parfenion Intercommerz Account made a series of six transfers to a different account at Intercommerz, one in the name of a company called Fausta (the "Fausta Intercommerz Account"). These six transfers totaled approximately 1.108 billion rubles.

- a. Fausta was registered in July 2007 by a resident of Moscow ("Individual-2"). On information and belief, Individual-2 told a reporter that he did not establish the company. "I don't know anything about this company," he is quoted as saying. "Nobody asked me to establish it. Maybe some people got my passport details from banks where I took loans." On information and belief, liquidation of Fausta began in or about March of 2008, approximately a month after receiving the money from Parfenion. On information and belief, Individual-2 is listed as founder of at least two other companies which received portions of the stolen \$230 million refunded funds.

85. After receiving the money from the Parfenion Intercommerz Account, the Fausta Intercommerz Account, between on or about February 6, 2008 through on or about February 8, 2008, made a series of ten transfers into the ZhK Account. These transfers totaled approximately 513 million rubles (in addition to the approximately 430 million rubles in transfers the Parfenion Intercommerz Account had made directly into the ZhK Account as described in paragraph 83, above).

86. From on or about January 11, 2008 through on or about February 4, 2008, the Makhaon USB Account made a series of ten transfers to an account at Okean Bank, a Russian bank, in the name of a company called Anika (the "Anika Account"). These ten

transfers totaled approximately 266 million rubles.

- a. Liquidation of Anika began in late March of 2008, approximately a month and a half after Anika's receipt of funds from the Makhaon USB Account. On information and belief, the husband of the founder of Anika was listed as director of a company that had received tax refund money in the 2006 Fraud Scheme.

87. From on or about January 11, 2008 through on or about January 21, 2008, the Rilend USB Account made a series of seven transfers to an account at the Russian bank Mosstroieconombank in the name of a company called Univers (the "Univers Account"). These seven transfers totaled approximately 3.6 million rubles.

- a. Univers was registered in October 2007 with an individual ("Individual-3") listed as the sole shareholder and director. On information and belief, Individual-3 is listed in the Russian commercial registry as a shareholder in numerous companies in a pattern consistent with being a nominee owner. In November 2008, Univers was reorganized in a similar manner to ZhK. It was also joined with another company and the headquarters was also moved from Moscow to Vladivostok. The same registration agents reorganized both Univers and ZhK.

88. On information and belief, on or about February 5, 2008, the sawmill operator MARKELOV closed the Parfenion Intercommerz Account. On or about February 6, 2008, the Makhaon USB Account and the Rilend USB Accounts were closed as well. On or about February 8, 2008, PLUTON sold the Hermitage Companies to a British Virgin Islands corporation, BOILY SYSTEMS, LTD., for approximately U.S. \$750.

89. In addition to receiving transfers from the Rilend USB

Account, the Univers Account then also received transfers from the Fausta Intercommerz Account and the Anika Account. Specifically, on or about February 5, 2008, the Fausta Intercommerz Account (which, as stated in paragraph 84, above, had just received funds from the Parfenion Intercommerz Account) made a transfer of approximately 98.9 million rubles into the Univers Account. Also on or about that day, the Anika Account (which, as stated in paragraph 86, above, had just received funds from the Makhaon USB Account) made a transfer of approximately 69.9 million rubles into the Univers Account.

90. Having received funds from the misappropriated Hermitage Companies directly and through intermediary accounts, the ZhK Account and the Univers Account then made transfers to a correspondent account at the Russian bank Alfa Bank, which was held in the name of Bank Krainiy Sever, another Russian bank (the "Bank Krainiy Sever Account"). Specifically, from on or about February 5, 2008 through on or about February 11, 2008, the ZhK Account made seventeen transfers, totaling approximately 525 million rubles, into the Bank Krainiy Sever Account. And between those same dates, the Univers Account made seven transfers, totaling approximately 290 million rubles, into the Bank Krainiy Sever Account.

- a. On or about February 12, 2008 (the day after the last of these transfers to Bank Krainiy Sever), the Univers Account, which had been opened in November of 2007,

was closed.

91. These transfers into the Bank Krainiy Sever Account were for the benefit of four other shell companies, called StarMix, Trial, Omega, and PromTorg. Each of these companies had accounts at Bank Krainiy Sever, and thus the transactions sending funds to them were typically reflected both in their own bank accounts and in the Bank Krainiy Sever correspondent account processing the transactions.

- a. Of the funds transferred by ZhK, approximately 25 million rubles went to StarMix on February 7, 2008, approximately 77 million rubles went to Trial in two transactions on February 7, 2008, approximately 154 million rubles went to Omega in five transactions between February 5 and 7, 2008, and approximately 269 million rubles went to PromTorg in nine transactions between February 8 and 11, 2008.
- b. Of the funds transferred by Univers, approximately 215 million rubles went to Omega in six transactions between February 5 and 7, 2008, and approximately 75 million rubles went to PromTorg on February 11, 2008.
- c. The bank accounts for StarMix, Trial, Omega, and PromTorg at Bank Krainiy Sever were each opened just several days before receiving these funds.

92. In addition to the above transfers, the four shell companies at Bank Krainiy Sever received more funds through multiple other routes traceable to the Treasury fraud.

- a. In addition to sending funds to ZhK through Fausta and Anika, the Parfenion Intercommerz Account also sent funds to ZhK directly, sending it approximately 430 million rubles in six transactions between January 21 and 25, 2008.
- b. The Parfenion Intercommerz Account also sent

additional funds to ZhK through different intermediaries. In five transactions between January 10 and January 23, 2008, the Parfenion Intercommerz Account sent approximately 589 million rubles to an account at Universal Savings Bank in the name of a company called Yauza-Region. This account, in turn, then sent approximately 321 million rubles (in 16 transactions between January 22 and 30, 2008) to an account in the name of a company called Vermont. Vermont then sent approximately 1.8 million rubles to ZhK on February 8, 2008.

- c. Additionally, the Parfenion Intercommerz Account also sent more funds to the Bank Krainiy Sever shell companies through a further route that did not involve ZhK. In two transactions on January 21 and 24, 2008, the Parfenion Intercommerz Account sent approximately 150 million rubles to an account in the name of a company called Lanitime. Lanitime then sent approximately 23.6 million rubles to the account of a company named DalProm on January 30, 2008, and approximately 47.4 million rubles to the account of a company named Candy in two transactions on that same day. DalProm, in turn, sent approximately 28.3 million rubles to Omega on February 4, 2008, and approximately 32.2 million rubles to PromTorg on February 11, 2008. Candy, for its part, sent approximately 66 million rubles to Trial in two transactions on February 4, 2008.
- d. In addition to sending funds to ZhK and Univers, the Fausta Intercommerz Account sent additional funds to one of the Bank Krainiy Sever shell companies through an intermediary. On February 5, 2008, Fausta sent approximately 99.4 million rubles to a company named Komino, which (after receiving additional funds from Anika as described in subparagraph g, below) sent approximately 143 million rubles to Omega in five transactions between February 5 and 7, 2008, and approximately 97 million rubles to PromTorg on February 11, 2008.
- e. In addition to sending funds to Univers directly, the Anika Account sent additional funds to the Univers Account through an intermediary company. On February 4, 2008, Anika sent a company named Inteks-M a single payment of approximately 25 million rubles. Inteks-M

then sent approximately 14.8 million rubles on to Univers the next day.

- f. Anika also transferred funds to the ZhK Account, sending it approximately 24.7 million rubles on February 4, 2008.
- g. Anika, as well, sent additional funds to the Bank Krainiy Sever shell companies through entities besides Univers or ZhK. On February 4, 2008, Anika sent approximately 24.9 million rubles to a company named Krokus, which then sent approximately 12.4 million of those rubles to Komino the next day. Further, Anika sent approximately 69 million rubles to Komino directly on February 5, 2008. As noted in subparagraph d, above, Komino went on to transfer funds to Omega and PromTorg. Also on February 5, 2008, Anika sent approximately 50 million rubles to a company named Optimal, which went on to send approximately 13.2 million rubles to PromTorg on February 8, 2008 and approximately 52.1 million rubles to Trial in three transactions from February 5 to 7, 2008.
- h. In addition to sending funds to the Bank Krainiy Sever shell companies directly, the ZhK Account also sent funds to one of these companies through an intermediary. On February 1, 2008, ZhK sent approximately 25 million rubles to a company named Aleksii. Aleksii then sent approximately 8 million rubles to Omega on February 4, 2008.

93. As it received these funds, the Bank Krainiy Sever Account was in turn transferring funds to accounts at a Moldovan bank in the name of two different companies in Moldova, Bunicon-Impex SRL ("Bunicon") and SC Elenast-Com SRL ("Elenast"). Specifically, from on or about February 4, 2008 through on or about February 6, 2008, the Bank Krainiy Sever Account made a series of five transfers to an account at the Moldovan bank Banca De Economii in the name of Bunicon (the "Bunicon Banca De

Economii Account"), including approximately 565 million rubles derived from the Bank Krainiy Sever shell companies described above. And between February 5 and February 13, 2008, the Bank Krainiy Sever Account made a series of ten transfers to an account at Banca De Economii in the name of Elenast (the "Elenast Banca De Economii Account"). These transfers totaled approximately 657 million rubles.

- a. Of the transfers to Elenast, approximately 225 million came from StarMix in six transactions between February 7 and 13, 2008, and approximately 425 million came in three transactions between February 7 and 11, 2008 from a company called Kareras Ltd., another shell company with a Bank Krainiy Sever account. Before sending Elenast these funds, Kareras had previously received funds from Trial, Omega, and PromTorg (Trial sent Kareras approximately 470 million rubles in three transfers between February 6 and 8, 2008; Omega sent Kareras approximately 1,583 million rubles in six transfers between February 4 and 8, 2008; and PromTorg sent Kareras approximately 723 million rubles in two transactions on February 8 and 11, 2008).
- b. Of the transfers to Bunicon, approximately 565 million came from Kareras in three transfers between February 4 and 6, 2008. As noted in subparagraph a, above, Kareras had been receiving fraud proceeds as of at least February 4, 2008.

94. On February 13, 2008, the day that the Bank Krainiy Sever Account made the last transfer to the Elenast Banca De Economii Account, a Russian court ordered the Bank Krainiy Sever Account seized. Approximately one month later, the Central Bank of the Russian Federation canceled Bank Krainiy Sever's banking license for money laundering violations.

95. On information and belief, Bunicon was a shell company with a nominee administrator. Bunicon was registered in or about July of 2007, with its administrator listed as Vladimir Bunichovschi. Bunichovschi was 24 years old at the time that Bunicon received the 565 million rubles in transfers from the Bank Krainiy Sever shell companies described above. Bunicon does not appear to have had any significant internet presence. On information and belief, Bunicon's listed headquarters was a retail space in Chisinau, Moldova, a photograph of which is attached hereto as Exhibit C.

- a. On information and belief, Bunicon's headquarters was also the headquarters of two other companies, which also appear to be shell companies. Besides sharing Bunicon's address, the other two companies, Melcon-Exim SRL ("Melcon") and Cupvitcons SRL ("Cupvitcons"), each (like Bunicon) also have corporate names that include portions of the name of their listed representatives—Anatolie Melnic for Melcon, Vitalie Cupcic for Cupvitcons.

96. On information and belief, Elenast was also a shell company. Elenast was registered on or about October of 2007, with its administrator listed as Stinga Elena. Elenast does not appear to have had any significant internet presence. On information and belief, Elenast's listed headquarters was a residential apartment building in Chisinau, Moldova, a photograph of which is attached hereto as Exhibit D.

### **C. Transfers to Key Participants**

97. Some of the money derived from the fraudulent tax

refunds was directed to the core members of the Organization, who laundered it through various transactions and into, among other things, real estate purchases.

98. For example, Arivust Holdings, Ltd. ("Arivust") is a Cyprus-based company with a bank account at the Swiss bank Credit Suisse (the "Arivust Account"). Arivust, incorporated in January 2008, is beneficially owned by STEPANOV, then-husband of STEPANOVA, the head of Moscow Tax Office No. 28, who had authorized millions of dollars worth of fraudulent refunds as part of the \$230 Million Fraud Scheme.

99. On February 5, 2008, in a wire transfer routed through the Southern District of New York, the Bunicon Banca De Economii Account transferred \$726,000, to an account at a Latvian bank in the name of Nomirex Trading Limited. Additionally, Kareras transferred approximately 291 million rubles to Nomirex in four transfers between February 6 and 11, 2008. In two transfers in February of 2008, that Nomirex account transferred almost 4 million euros to an account in the name of the British Virgin Islands company Quartell Trading, Ltd., which promptly transferred over U.S. \$150,000 of that money to Baikonur Worldwide, Ltd., also a British Virgin Islands company. In five transfers from on or about May 26, 2008 through on or about June 17, 2008, Baikonur (which on information and belief has shared ownership with Quartell) sent approximately 7.1 million euros to

Arivust.

100. Thus, as of June 17, 2008, STEPANOV, then-husband of STEPANOVA, had received, through Arivust, approximately 7.1 million euros, of which at least a portion was directly traceable to the fraudulent refunds through Bunicon.

- a. Additionally, in the summer of 2009, the Quartell Trading account sent \$650,000 and 750,000 euros to Aikate Properties, another company controlled by STEPANOV.

101. Indeed, on information and belief, STEPANOV and STEPANOVA also purchased millions of U.S. dollars' worth of real estate in Dubai after the refund money was paid.

102. The tax returns for STEPANOV and STEPANOVA from 2006 to 2009 report an average combined annual income of just \$38,381.

**D. Transfers of \$857,354 in Fraud Proceeds to Prevezon Holdings and Purchase of Prevezon Holdings by Katsyv**

103. On or about February 6, 2008, the Bunicon Banco Di Economii Account made a wire transfer (the "February 6, 2008 Bunicon Transfer") to an account with the Swiss bank UBS in the name of PREVEZON HOLDINGS (the "PREVEZON HOLDINGS 8160 Account"). The amount of this wire transfer was approximately U.S. \$410,000.

- a. This transaction was processed by the United States banks of Citibank and UBS Stamford, and involved the wire transfer of funds through the Southern District of New York.

104. On or about February 13, 2008, the Elenast Banco Di Economii Account made a wire transfer (the "February 13, 2008 Elenast Transfer," and with the February 6, 2008 Bunicon Transfer, the "February 2008 Bunicon and Elenast Transfers") to the PREVEZON HOLDINGS 8160 Account. The amount of this wire transfer was approximately U.S. \$447,354.

- a. This transaction was processed by the United States banks of Citibank and UBS Stamford, and involved the wire transfer of funds through the Southern District of New York.

105. On May 23 and June 23 of 2008, the PREVEZON HOLDINGS 8160 Account converted millions of dollars into euros, which were transferred to the PREVEZON HOLDINGS 8170 Account. The PREVEZON HOLDINGS 8170 Account then transferred over 3 million euros to AFI Europe, N.V. ("AFI Europe") in order to purchase a 30% interest (the "AFI Europe Investment") in each of the Netherlands-based companies AFI Properties Berlin B.V., AFI Properties Logistics B.V., AFI Properties Development B.V., and AFI Properties B.V., (collectively the "Dutch companies"), which in turn hold percentage interests in German partnerships holding property in Germany.

106. As stated in paragraph 9, at the time of the February 2008 Bunicon and Elenast Transfers, KRIT was listed as the sole shareholder of PREVEZON HOLDINGS according to Cyprus public records. At that time, he was 22 years old. As of 2013, a

personal webpage KRIT maintained listed him as a science graduate student in Russia.

107. Although KRIT was publicly listed as the sole shareholder of PREVEZON HOLDINGS from August 29, 2006 to June 18, 2008, as stated in paragraph 10, during that entire time period, the beneficial owner of the PREVEZON HOLDINGS accounts at UBS was LITVAK.

108. On or about June 19, 2008, KATSYV purchased a 100% interest in the PREVEZON HOLDINGS from KRIT for \$50,000. On information and belief, the PREVEZON HOLDINGS UBS accounts had over \$2 million in assets at the time. KRIT remained a director of PREVEZON HOLDINGS, and LITVAK remained beneficial owner of the PREVEZON HOLDINGS UBS accounts.

- a. KATSYV, LITVAK and KRIT have been business associates in other ventures, dating back to before the February 2008 Bunicon and Elenast Transfers. From October of 2007 through at least October of 2012, KRIT has officially been sole director of KOLEVINS and sole shareholder. However, LITVAK was beneficial owner of KOLEVINS's bank accounts at UBS during this time period, KATSYV was also beneficial owner of KOLEVINS's UBS bank accounts, and an internal UBS document has referred to KOLEVINS as LITVAK's company.
- b. On information and belief, the sale of PREVEZON HOLDINGS from KRIT to KATSYV involved minimal contractual documentation.

109. In 2013, in response to an article about the February 2008 Transfers, an employee of a public relations firm representing KATSYV ("Representative-1"), wrote to the reporting

organization that had published the article. At the time that Representative-1 wrote, KATSYV was the only shareholder of PREVEZON HOLDINGS, holding 1000 shares directly and the remaining 1 share through a different wholly-owned company. Representative-1 wrote that KATSYV had no involvement with the February 2008 Bunicon and Elenast Transfers, which predated KATSYV's purchase of PREVEZON HOLDINGS. Representative-1 stated that after the February 2008 Bunicon and Elenast Transfers, "Mr. Krit, director of the firm, found himself unable to run the company on his own. Through a mutual friend, he arranged to sell it to Mr. Katsyv for \$50,000. He agreed to stay on as Mr. Katsyv's employee."

110. Representative-1 stated that after becoming aware of the February 2008 Bunicon and Elenast Transfers from a reporter, KATSYV "confirmed that the payments really had occurred and, although they did so prior to his involvement and ownership, he undertook a full review of where they had come from and how the funds were used." Representative-1 stated that the funds involved in the February 2008 Bunicon and Elenast Transfers derived from a deal between KRIT and "his friend, a Mr. Petrov." Representative-1 claimed that "Mr. Petrov" and KRIT "agreed jointly to develop a business based on investments in and management of property. Under the agreement Mr. Petrov was to transfer funds to Prevezon for this purpose."

111. Representative-1 stated that the funds for this joint venture were paid to PREVEZON HOLDINGS by Bunicon and Elenast because "Mr. Petrov was anticipating repayment through these companies of a debt owed him by a third party, a Mr. Kim." Representative-1 also wrote that PREVEZON HOLDINGS "has at no time had any direct commercial relations with Bunicon or Elenast."

112. However, the bank records reflecting the February 2008 Bunicon and Elenast Transfers describe the transfers from Bunicon and Elenast to PREVEZON HOLDINGS as prepayment for sanitary equipment.

113. Additionally, Bunicon submitted to Banca de Economii, as a purported justification for the February 6, 2008 Bunicon Transfer to Prevezon, a contract purportedly between PREVEZON HOLDINGS as "Seller" and Bunicon as "Buyer." This purported contract claimed that PREVEZON HOLDINGS was to deliver a quantity of goods described as 280 units of "Bath set SICILIA DOCTOR JET (Italy) 190 x 120/95 x 65, acrylic, 4201." This supposed contract was purportedly signed by an unnamed representative of PREVEZON HOLDINGS and an unnamed representative of Bunicon and was stamped with a corporate seal purportedly of Bunicon.

114. Elenast, similarly, submitted false documentation to Banca de Economii as a purported justification for the February

13, 2008 Elenast Transfer to Prevezon. The documentation submitted by Elenast was an invoice purportedly from PREVEZON HOLDINGS as "Seller" and Elenast as "Buyer." This purported invoice sought prepayment for the purported delivery by PREVEZON HOLDINGS of a quantity of goods described as 306 units of "Bath set SICILIA DOCTOR JET (Italy) 190 x 120/95 x 65, acrylic, 4201," *i.e.*, the same description of supposed goods as featured in the purported contract provided by Bunicon. This supposed invoice was purportedly signed by an unnamed director of PREVEZON HOLDINGS and stamped with a corporate seal purportedly of Elenast.

115. KATSYV was aware of the laws against money laundering due to a prior proceeding by the State of Israel, in which a branch of MARTASH, which as stated above is wholly owned by KATSYV, had 35 million shekels (worth approximately U.S. \$8 million in 2005) confiscated by the State of Israel as part of a 2005 settlement of a confiscation proceeding based on the State of Israel's allegations that MARTASH had violated Israel's Prohibition of Money Laundering Law 5760-2000. Israel's Prohibition of Money Laundering Law has provisions that are similar to United States money laundering statutes.

**E. Additional Transfers of \$1,108,090.55 in Fraud Proceeds to Prevezon Holdings through Intermediaries**

116. In addition to the transfers of \$857,354 in proceeds

from the \$230 Million Fraud Scheme from Bunicon and Elenast directly to PREVEZON HOLDINGS, PREVEZON HOLDINGS received an additional \$1,108,090.55 in proceeds from the \$230 Million Fraud Scheme in money laundering transactions in February and March of 2008, for a total of at least \$1,965,444.55 in proceeds from the \$230 Million Fraud Scheme received by PREVEZON HOLDINGS, as follows.

117. On February 5, 2008, the Bunicon Banca de Economii Account transferred \$951,400 to an account at the Estonian bank AS Sampo Bank (the "Megacom Transit Sampo Bank Account") in the name of Megacom Transit Ltd. ("Megacom Transit"), a New Zealand company. Bunicon submitted to Banca de Economii, as purported justification for this wire transfer, a contract purportedly between Megacom Transit as "Seller" and Bunicon as "Buyer." This purported contract claimed that Megacom Transit was to deliver a quantity of goods described as 983 units of "Heating - venting devices 'VOLCANO VR 1 , 10-30 Kvt, 5 500 m<sup>3</sup> / per hour." This supposed contract was purportedly signed by an unnamed representative of Megacom Transit and an unnamed representative of Bunicon and was stamped with corporate seals purportedly of Megacom Transit and Bunicon.

- a. This transaction was processed by the United States banks of Citibank and Deutsche Bank U.S., and involved the wire transfer of funds through the Southern District of New York.

118. On information and belief, Megacom Transit was a shell company with a nominee administrator. Megacom Transit does not appear to have had any significant internet presence. On information and belief, Megacom Transit's listed headquarters was a residential house in Auckland, New Zealand. Megacom Transit's founding director, Voldemar Spatz, is listed as a director of over 200 New Zealand companies. As of December of 2008, an individual named Inta Bilder was appointed as director of Megacom Transit. Inta Bilder is listed as a director of over 200 New Zealand companies.

119. On February 20, 2008, the Megacom Transit Sampo Bank Account transferred \$390,000 to a bank account (the "Company-1 Account") in the name of a company listed as domiciled in Tortola in the British Virgin Islands ("Company-1"). The bank records for this wire transfer list it as a payment on contract numbered 223/02-2008 dated February 15, 2008 for "auto spare parts completing."

120. In addition to sending money to Company-1 through Megacom Transit, Bunicon also sent money to Company-1 through a different intermediary, Castlefront LLP ("Castlefront"), a United Kingdom company. On February 6, 2008, the Bunicon Banca de Economii Account transferred \$942,700 to an account at AS Sampo Bank in the name of Castlefront (the "Castlefront Account").

- a. This transaction was processed by the United States banks of Citibank and Deutsche Bank U.S., and involved the wire transfer of funds through the Southern District of New York.

121. On information and belief, Castlefront was a shell company with a nominee administrator. Castlefront does not appear to have had any significant internet presence. As of January of 2008, a British Virgin Islands company named Ireland & Overseas Acquisitions was a member and director of Castlefront. From February of 2007 to June of 2008 (i.e., including the time period of the transfers from Bunicon), Voldemar Spatz was a director of Ireland & Overseas Acquisitions Ltd. As noted in paragraph 118, above, Voldemar Spatz, who is listed as director of over 200 New Zealand companies, was also the director of Megacom Transit.

122. Bunicon submitted to Banca de Economii, as a purported justification for this wire transfer, a contract purportedly between Castlefront as "Seller" and Bunicon as "Buyer." This purported contract claimed that Castlefront was to deliver a quantity of goods described as 748 units of "Laser level Geo-Fennel FL-250 VA-N, ± 1mm/10m, 250m." This supposed contract was purportedly signed by an unnamed representative of Castlefront and an unnamed representative of Bunicon and was stamped with corporate seals purportedly of Castlefront and Bunicon.

123. In five transactions between February 20 and March 3, 2008, the Castlefront Account sent a total of \$1,986,000 to the Company-1 Account, as follows: \$410,000 on February 20, 2008; \$140,000 on February 21, 2008; \$493,000 on February 22, 2008; \$455,000 on February 28, 2008; and \$488,000 on March 3, 2008. The bank records for each of these wire transfers list them as payment on a contract numbered 248/02 dated February 15, 2008, for "auto spare parts completing."

124. In eight transactions between February 28, 2008 and March 20, 2008, Company-1 sent a total of \$1,108,090.55 to the PREVEZON HOLDINGS 8160 Account, as follows: \$150,000 on February 28, 2008; \$150,000 on February 29, 2008; \$122,204.92 on March 3, 2008; \$150,000 on March 12, 2008; \$150,000 on March 14, 2008; \$150,000 on March 17, 2008; \$150,000 on March 19, 2008; and \$85,885.63 on March 20, 2008. The bank records for each of these wire transfers list them as payment on a contract numbered 43Y/8 dated February 18, 2008, for "auto spare parts."

125. Accordingly, as of March 20, 2008, the real estate company PREVEZON HOLDINGS had received a total of at least \$1,965,444.55 in proceeds from the \$230 Million Fraud Scheme from three different companies, Bunicon, Elenast, and Company-1, in wire transfers describing the funds as prepayment for sanitary equipment or for automotive spare parts.

126. Additionally, between February and June of 2008, the

PREVEZON HOLDINGS 8160 Account and the PREVEZON HOLDINGS 8170 Account received a substantial volume of other funds from apparent shell companies under false payment descriptions, including the following:

- a. On February 14, 2008, the PREVEZON HOLDINGS 8160 Account received \$70,000 from the Belize company Mobiner Trade Ltd., which appeared in the Prevezon Holdings bank statements as payment for "technical equipment."
- b. In two transfers on May 29 and June 4, 2008, the PREVEZON HOLDINGS 8160 Account received \$697,408.30 from the Belize company Cefron Invest Ltd., which appeared in the PREVEZON HOLDINGS bank statements as payment for "computer equipment."
- c. On May 30, 2008, the PREVEZON HOLDINGS 8160 Account received \$272,400 from Apasitto Ltd., which appeared in the Prevezon Holdings bank statements as payment for "video equipment."
- d. On June 4, 2008, the PREVEZON HOLDINGS 8160 Account received \$292,039.18 from the Cyprus company Nysorko Ltd., which appeared in the Prevezon Holdings bank statements as payment for "home appliances."
- e. On June 13, 2008, the PREVEZON HOLDINGS 8160 Account received \$779,128.80 from the Cyprus company Weldar Holdings Limited, which appeared in the Prevezon Holdings bank statements as payment for "goods."
- f. On May 12, 2008, the PREVEZON HOLDINGS 8170 Account received 93,717.03 euros from British Virgin Islands company Genesis Trading Investments Ltd., which appeared in the Prevezon Holdings bank statements as payments for "computer equipment."

127. At all relevant times, PREVEZON HOLDINGS was not in the business of supplying sanitary equipment, auto spare parts, technical equipment, computer equipment, video equipment, home

appliances, or other goods.

128. During this time period, these false and questionable payments represented the substantial majority of the inflows into the Prevezon Holdings 8160 and 8170 Accounts.

**F. Purchase of Defendants in Rem in New York by Prevezon Entities**

129. In his 2013 communications with the reporting organization, Representative-1 stated that after KATSYV purchased PREVEZON HOLDINGS, the funds involved in the February 2008 Bunicon and Elenast Transfers "were invested in various New York properties, and it was agreed that Prevezon would manage these assets for five years and then transfer the properties to Mr. Petrov in full."

130. On or about November 30, 2009, PREVEZON HOLDINGS purchased Unit 2009 of 20 Pine Street, New York, New York ("20 PINE STREET, UNIT 2009") from 20 Pine Street LLC for approximately \$1,231,148 and also purchased Unit 1810 of that building ("20 PINE STREET, UNIT 1810") from 20 Pine Street LLC for approximately \$829,351. Both purchases were made with funds from the PREVEZON HOLDINGS 8160 Account. The funds in the PREVEZON HOLDINGS 8160 Account used to fund these purchases included funds from KOLEVINS, funds from FERENCOI, and funds from AFI Europe. The AFI Europe funds used in the purchase consisted of some or all of an interest payment derived from the

AFI Europe Investment, described in paragraph 105, above, which was in the amount of 395,000 euros and had been transferred to the PREVEZON HOLDINGS 8170 Account in euros earlier that month and then converted into dollars and transferred into the PREVEZON HOLDINGS 8160 Account. LITVAK signed both deeds on behalf of PREVEZON HOLDINGS.

- a. 20 Pine Street LLC, the company from which PREVEZON HOLDINGS purchased 20 PINE STREET, UNIT 2009 and 20 PINE STREET, UNIT 1810, is a development of Africa-Israel USA ("AFI USA"), a company under common ownership with AFI Europe.
- b. On or about February 24, 2010, PREVEZON HOLDINGS transferred 20 PINE STREET, UNIT 1810 to PREVEZON 1810 and transferred 20 PINE STREET, UNIT 2009 to PREVEZON 2009. KRIT signed both deeds on behalf of PREVEZON HOLDINGS.
- c. In or about 2013, PREVEZON 1810 sold 20 PINE STREET, UNIT 1810.

131. PREVEZON HOLDINGS maintains contractual documentation apparently reflecting an agreement by PREVEZON HOLDINGS to purchase 20 PINE STREET, UNIT 1810 in PREVEZON HOLDINGS's name but on behalf of Leonid Petrov, in exchange for the receipt of \$857,354 by PREVEZON HOLDINGS in the February 2008 Transfers. However, the purchase price of 20 PINE STREET, UNIT 1810, is several hundred thousand dollars more than the value of the interest payment received from AFI Europe, even if all of that interest payment were allocated to that one apartment. Accordingly, at least some of the funds for the purchase of 20

PINE STREET, UNIT 1810, must have come from other sources, and the contractual documentation, if genuine, must reflect an intent to debit these payments from other sources against the February 2008 Transfers. This documentation references additional oral agreements between PREVEZON HOLDINGS and Petrov.

- a. Consistent with Representative-1's statement that Petrov's investment went into "various New York properties," and with the activity in the PREVEZON HOLDINGS 8160 and 8170 bank accounts from February to June 2008, some unsigned contractual documentation apparently between PREVEZON HOLDINGS and Petrov indicates that PREVEZON HOLDINGS received an additional \$3,950,000 from Petrov for the purpose of real estate investment. These documents have a similar form to the documentation regarding 20 PINE STREET, UNIT 1810.

132. On or about February 25, 2010, PREVEZON 1711 purchased 20 PINE STREET, UNIT 1711 from 20 Pine Street LLC for approximately \$894,257, and PREVEZON PINE purchased 20 PINE STREET, UNIT 2308 from 20 Pine Street LLC for approximately \$772,687. Both purchases were made with funds from the PREVEZON HOLDINGS 8160 Account. The funds in the PREVEZON HOLDINGS 8160 Account, which had maintained a positive balance since receiving the interest payment from AFI Europe, included funds from FERENCOI and KOLEVINS. LITVAK signed the deeds on behalf of PREVEZON 1711 and PREVEZON PINE, respectively.

133. On or about August 26, 2010, PREVEZON SOHO purchased unit COM-1 of 160 Wooster Street ("160 WOOSTER STREET, UNIT COM-1") with approximately \$6,286,000. This purchase was made with

funds from account number ending in 1947 at Marfin Popular Bank PCL, Cyprus, held in the name of PREVEZON HOLDINGS (the "PREVEZON HOLDINGS Marfin Account").

- a. On September 28, 2011, the PREVEZON HOLDINGS 8160 Account sent \$650,000 to the PREVEZON SOHO ACCOUNT. This \$650,000 included rental income from 20 PINE STREET, UNITS 2009 and 1810, both of which were purchased with funds from the PREVEZON HOLDINGS 8160 Account, as well as some or all of a second interest payment derived from the AFI Europe Investment.
- b. The PREVEZON SOHO ACCOUNT then used this \$650,000 as a contractual deposit for the purchase of 127 SEVENTH AVENUE, RETAIL UNIT 2, which as described in paragraph 135, below, was conducted in December of 2011 and involved over \$2 million in other funds from the PREVEZON HOLDINGS 8160 Account and funds from the PREVEZON HOLDINGS Marfin account.
- c. On January 18, 2011, the PREVEZON SOHO ACCOUNT transferred \$140,000 into a separate account maintained in the name of PREVEZON PINE USA, LLC (the "PREVEZON PINE 8941 Account"), which had previously collected rental income from 20 PINE STREET, UNITS 2009 and 1810 and returned it and other funds to the PREVEZON HOLDINGS 8160 Account. The \$140,000 was commingled with other money in the account, and of the commingled funds, \$250,000 was sent to the PREVEZON HOLDINGS 8160 Account on that date.
- d. On December 15, 2011, the PREVEZON SOHO ACCOUNT sent \$308,000 to the PREVEZON PINE 8941 Account, which as described in subparagraph b, above, had previously sent money to the PREVEZON HOLDINGS 8160 Account. This money was commingled with rental proceeds from other New York properties purchased with funds from the PREVEZON HOLDINGS 8160 Account, including 20 PINE STREET, UNITS 2009, 1810, 1711, and 2308. Of this commingled sum, \$400,000 was transferred to the PREVEZON SEVEN ACCOUNT on that date, where it was commingled with other funds. The PREVEZON SEVEN ACCOUNT then transferred \$490,000 of the commingled funds back to the PREVEZON HOLDINGS 8160 Account on December 21, 2011.

- e. On December 3, 2012, the PREVEZON SOHO ACCOUNT transferred \$75,000 to the PREVEZON ALEXANDER ACCOUNT. These funds were commingled with rental income from New York properties that had been purchased with funds derived from the PREVEZON HOLDINGS 8160 Account, including 20 PINE STREET, UNITS 2009, 1810, 1711, 2308, and 1816, and the 250 EAST 49th STREET, UNIT COMM3, and \$400,000 was transferred to a Cyprus account of KOLEVINS.
- f. The current balance of the PREVEZON SOHO ACCOUNT is approximately \$5,693.
- g. In or about April of 2013, PREVEZON SOHO sold 160 WOOSTER STREET, UNIT COM-1.

134. On or about March 21, 2011, PREVEZON 2011 purchased 20 PINE STREET, UNIT 1816 from 20 Pine Street LLC with approximately \$977,520 in funds from the PREVEZON HOLDINGS 8160 Account. The funds in the PREVEZON HOLDINGS 8160 Account used to make this purchase included funds from KOLEVINS. LITVAK signed the deed on behalf of PREVEZON 2011.

135. On or about December 14, 2011, PREVEZON SEVEN purchased 127 SEVENTH AVENUE, RETAIL UNIT 2 with approximately \$6,500,000, including approximately \$2,700,000 in funds from the PREVEZON HOLDINGS 8160 Account and approximately \$3,300,000 from the PREVEZON HOLDINGS Marfin Account. The funds in the PREVEZON HOLDINGS 8160 Account used to make this purchase included funds from KOLEVINS. LITVAK signed a document in connection with the sale on behalf of PREVEZON SEVEN.

- a. From January to June of 2012, 127 SEVENTH AVENUE, RETAIL UNIT 2 generated over \$300,000 in rental

income, which was transferred into the PREVEZON SEVEN ACCOUNT.

- b. 127 SEVENTH AVENUE, RETAIL UNIT 2 was sold in August of 2013.

136. On or about September 13, 2012, PREVEZON ALEXANDER purchased 250 EAST 49th STREET, UNIT COMM3 with approximately \$6,250,000. LITVAK signed a document in connection with the sale on behalf of PREVEZON ALEXANDER.

- a. The rental income generated by 127 SEVENTH AVENUE, RETAIL UNIT 2, along with the rental income generated by the other New York properties purchased by PREVEZON HOLDINGS, commingled with other money, was used to pay the \$625,000 contractual deposit for 250 EAST 49th STREET, UNIT COMM3 by two checks written on the PREVEZON SEVEN ACCOUNT on July 2, 2012 and made out to the seller's attorney, bearing the notation "250 E 49 Str, Comm 3."
- b. The remainder of the payment for 250 EAST 49th STREET, UNIT COMM3 was paid in part from the PREVEZON HOLDINGS Marfin Account and in part by a loan from TD Bank.
- c. 250 EAST 49th STREET, UNIT COMM3 generated rental income; over \$100,000 of that rental income was transferred into the PREVEZON ALEXANDER ACCOUNT in October through December of 2012.
- d. In the PREVEZON ALEXANDER ACCOUNT, the rental income received from 250 EAST 49th STREET, UNIT COMM3 up until mid-December of 2012 was commingled with rental income from other New York properties that had been purchased with funds from the PREVEZON HOLDINGS 8160 Account, including 20 PINE STREET, UNITS 2009, 1810, 1711, 2308, and 1816. Of this commingled amount, \$400,000 was transferred to an account of KOLEVINS at Marfin bank in Cyprus.
- e. The PREVEZON ALEXANDER ACCOUNT's current balance is approximately \$13,134.

137. The PREVEZON ALEXANDER ACCOUNT contains rental

proceeds from 250 EAST 49TH STREET, UNIT COMM3; the PREVEZON SOHO ACCOUNT contains sale and/or rental proceeds from 160 WOOSTER STREET, UNIT COM-1; the PREVEZON 1711 ACCOUNT contains rental proceeds from 20 PINE STREET, UNIT 1711; the PREVEZON 2009 ACCOUNT contains rental proceeds from 20 PINE STREET, UNIT 2009; the PREVEZON PINE ACCOUNT contains rental proceeds from 20 PINE STREET, UNIT 2308; the PREVEZON 2011 ACCCOUNT contains rental proceeds from 20 PINE STREET, UNIT 1816; the PREVEZON SEVEN ACCOUNT contains sale and/or rental proceeds from 127 SEVENTH AVENUE, RETAIL UNIT 2; and the PREVEZON 1810 ACCOUNT contains sale and/or rental proceeds from 20 PINE STREET, UNIT 1810.

138. On or about November 25, 2013, 20 PINE STREET, UNIT 2009 was sold pursuant to a November 8, 2013 Stipulation and Order of Interlocutory Sale providing that the proceeds of such sale would be transferred to the United States pending further order of the Court as a substitute res for all right, title and interest in 20 PINE STREET, UNIT 2009. Those proceeds are the 20 PINE STREET, UNIT 2009 SALE PROCEEDS.

139. On or about April 30, 2014, 250 EAST 49TH STREET, UNIT COMM3 was sold pursuant to a March 25, 2014 Stipulation and Order of Interlocutory Sale providing that the proceeds of such sale would be transferred to the United States pending further order of the Court as a substitute res for all right, title and

interest in 250 EAST 49TH STREET, UNIT COMM3. Those proceeds are the 250 EAST 49TH STREET, UNIT COMM3 SALE PROCEEDS.

140. On or about July 21, 2014, 20 PINE STREET, UNIT 2308 was sold pursuant to a June 3, 2014 Stipulation and Order of Interlocutory Sale providing that the proceeds of such sale would be transferred to the United States pending further order of the Court as a substitute res for all right, title and interest in 20 PINE STREET, UNIT 2308. Those proceeds are the 20 PINE STREET, UNIT 2308 SALE PROCEEDS.

141. On or about September 29, 2014, 20 PINE STREET, UNIT 1711 was sold pursuant to a September 24, 2014 Stipulation and Order of Interlocutory Sale providing that the proceeds of such sale would be transferred to the United States pending further order of the Court as a substitute res for all right, title and interest in 20 PINE STREET, UNIT 1711. Those proceeds are the 20 PINE STREET, UNIT 1711 SALE PROCEEDS.

142. In 2013, AFI Europe, N.V. purchased PREVEZON HOLDINGS' remaining interest in the Dutch Companies from PREVEZON HOLDINGS, and in so doing incurred a debt to PREVEZON HOLDINGS of approximately 3,068,946 euros traceable to PREVEZON HOLDINGS' purchase of its interest in the Dutch Companies as described in paragraph 105, which is the AFI EUROPE DEBT. On or about January 22, 2014, the Government of the Netherlands, pursuant to a request for legal assistance from the United States in

connection with the above-captioned case, restrained the AFI EUROPE DEBT.

**FIRST CLAIM**  
**(FORFEITURE UNDER 18 U.S.C. §§ 981(a)(1)(A), 985)**

143. The Government incorporates by reference paragraphs 1 through 142 above as if fully set forth herein.

144. Pursuant to 18 U.S.C. § 981(a)(1)(A), "[a]ny property, real or personal, involved in a transaction in violation of section 1956 [or] 1957 . . . of [title 18, relating to money laundering offenses], or any property traceable to such property," is subject to forfeiture to the Government.

145. 18 U.S.C. § 1956(a)(1) imposes a criminal penalty on any person who:

knowing that the property involved in a financial transaction involves the proceeds of some form of unlawful activity, conducts or attempts to conduct such a financial transaction which in fact involves the proceeds of specified unlawful activity -

- (A) (i) with the intent to promote the carrying on of specified unlawful activity; or
  - (ii) with intent to engage in conduct constituting a violation of section 7201 or 7206 of the Internal Revenue Code of 1986; or
- (B) knowing that the transaction is designed in whole or in part -
  - (i) to conceal or disguise the nature, the location, the source, the ownership, or the control of

the proceeds of specified unlawful activity; or

(ii) to avoid a transaction reporting requirement under State or Federal law[.]

146. Section 1956(a)(2) further imposes a criminal penalty on any person who:

transports, transmits, or transfers, or attempts to transport, transmit, or transfer a monetary instrument or funds from a place in the United States to or through a place outside the United States or to a place in the United States from or through a place outside the United States -

(A) with the intent to promote the carrying on of specified unlawful activity; or

(B) knowing that the monetary instrument or funds involved in the transportation, transmission, or transfer represent the proceeds of some form of unlawful activity and knowing that such transportation, transmission, or transfer is designed in whole or in part -

(i) to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of specified unlawful activity; or

(ii) to avoid a transaction reporting requirement under State or Federal law[.]

147. 18 U.S.C. § 1957 imposes a criminal penalty on any person who "knowingly engages or attempts to engage in a monetary transaction [in the United States] in criminally

derived property of a value greater than \$10,000 and is derived from specified unlawful activity." A "monetary transaction" includes the "deposit, withdrawal, transfer, or exchange, in or affecting interstate or foreign commerce, of funds or a monetary instrument . . . by, through, or to a financial institution." 18 U.S.C. § 1957(f)(1).

148. Pursuant to 18 U.S.C. § 1956(h), "[a]ny person who conspires to commit any offense defined in this section or section 1957 shall be subject to the same penalties as those prescribed for the offense the commission of which was the object of the conspiracy."

149. For purposes of Sections 1956 and 1957, "specified unlawful activity" includes, among other things, transportation of stolen property in violation of 18 U.S.C. § 2314; money laundering in violation of 18 U.S.C. §§ 1956 and 1957; and, with respect to a financial transaction occurring in whole or in part in the United States, an offense against a foreign nation involving fraud or any scheme or attempt to defraud, by or against a foreign bank, or involving bribery of a public official or the misappropriation, theft, or embezzlement of public funds by or for the benefit of a public official.

150. The funds transferred from Bunicon to PREVEZON HOLDINGS on February 6, 2008 as described in paragraph 103; the funds transferred from Elenast to PREVEZON HOLDINGS on February

13, 2008 as described in paragraph 104; the funds transferred from Bunicon to Megacom Transit on February 5, 2008 as described in paragraph 117, and the funds transferred from Bunicon to Castlefront on February 6, 2008 as described in paragraph 120 (collectively the "U.S. Transfers"), were all stolen property, as all were directly traceable to the \$230 Million Fraud Scheme. Since these U.S. Transfers moved the funds through the United States, the U.S. Transfers constituted transportation of stolen property in violation of 18 U.S.C. § 2314.

151. The funds involved in the U.S. Transfers constituted proceeds of offenses against Russian law involving fraud against the foreign bank HSBC Private Bank (Guernsey).

152. The funds involved in the U.S. Transfers constituted proceeds of offenses against Russian law involving bribery of a public official or the misappropriation, theft, or embezzlement of public funds by or for the benefit of a public official.

153. The U.S. Transfers constituted money laundering in violation of 18 U.S.C. §§ 1956 and 1957. The subsequent transactions upon receipt of these funds by PREVEZON HOLDINGS, Megacom Transit, and Castlefront, as well as subsequent transactions by Company-1 and the other Defendants in Personam, as set forth above, constituted money laundering. The property involved in those transactions constituted property involved in money laundering.

154. Additionally, subsequent financial or monetary transactions in funds traceable to the U.S. Transfers involved funds traceable to the transportation of stolen property and Russian law offenses and thus constituted money laundering in violation of 18 U.S.C. §§ 1956 and 1957 and, with respect to transactions in the United States in interstate or foreign commerce, additional transportation of stolen property.

155. Additionally, since money laundering is itself a money laundering predicate, the Megacom Transit and Castlefront transactions set forth in paragraphs 119 and 123, above, constituted laundering the proceeds of the money laundering offense comprised of the U.S. Transfers. Similarly, the Company-1 transactions set forth in paragraph 124, above, constituted laundering the proceeds of the money laundering offense comprised of the U.S. Transfers as well as the money laundering offense comprised of the Castlefront and Megacom Transit transactions set forth in paragraphs 119 and 123, above. Likewise, the transactions by the Defendants in Personam set forth in paragraphs 103-105, 108, 124-125, and 130-142, above, constituted laundering the proceeds of the U.S. Transfers, the money laundering offenses comprised of the February 2008 Transfers, and the Castlefront, Megacom Transit, and Company-1 transfers set forth in paragraphs 119 and 123-124.

156. After receiving the proceeds of the U.S. Transfers,

the defendants engaged in further laundering activity. By commingling the proceeds of the U.S. Transfers with other funds in the PREVEZON HOLDINGS 8160 Account and PREVEZON HOLDINGS 8170 Account in transactions that were themselves money laundering, and by further commingling interest payments and rental income on properties bought in money laundering transactions with other funds in those accounts, the Defendants in Personam involved the contents of those accounts in money laundering.

157. By transferring the bulk of the proceeds of the U.S. Transfers into AFI Europe, the Defendants in Personam involved the AFI Europe Investment, and ultimately the AFI EUROPE DEBT, in money laundering.

158. By using interest payments derived from the AFI Europe Investment, commingled with other funds from the PREVEZON HOLDINGS 8160 and 8170 Accounts, to purchase 20 PINE STREET, UNITS 2009 and 1810, the defendants involved those properties, and ultimately their associated sale proceeds, in money laundering.

159. By using funds drawn on the PREVEZON HOLDINGS 8160 Account, which had maintained a positive balance since receiving the initial interest payment on the AFI Europe Investment, to purchase 20 PINE STREET, UNITS 1711 and 2308, the Defendants in Personam involved those properties, and ultimately their sale proceeds, in money laundering. By using funds drawn on the

PREVEZON HOLDINGS 8160 Account, including rental income from 20 PINE STREET, UNITS 2009 and 1810, to purchase 20 PINE STREET, UNIT 1816, the Defendants in Personam involved that unit in money laundering.

160. By using funds drawn on the PREVEZON HOLDINGS 8160 Account, including rental income from 20 PINE STREET, UNITS 2009 and 1810 and additional interest income on the AFI Europe investment, commingled with other funds, to purchase 127 SEVENTH AVENUE, RETAIL UNIT 2, the Defendants in Personam involved that unit in money laundering. By using rent proceeds from 20 PINE STREET, UNITS 2009, 1810, 1711, and 2308, as well as from 127 SEVENTH AVENUE, RETAIL UNIT 2, commingled with other funds, to purchase 250 EAST 49th STREET, UNIT COMM3, the Defendants in Personam involved that property, and ultimately its sale proceeds, in money laundering.

161. By using the PREVEZON SOHO ACCOUNT as a conduit for funds from the PREVEZON HOLDINGS 8160 Account, including interest income from the AFI Europe Investment and rental income from the defendant's other New York properties, and by using it to fund other money laundering transactions, the Defendants in Personam involved the funds in the PREVEZON SOHO ACCOUNT in money laundering. By depositing sale and/or rental income from the respective properties into the respective bank accounts, the Defendants in Personam involved the funds in the PREVEZON

ALEXANDER ACCOUNT, the PREVEZON SEVEN ACCOUNT, the PREVEZON 1711 ACCOUNT, the PREVEZON 2009 ACCOUNT, the PREVEZON PINE ACCOUNT, the PREVEZON 2011 ACCOUNT, and the PREVEZON 1810 ACCOUNT in money laundering.

162. Additionally, by funding the purchase of at least one and apparently multiple units in part from other sources in exchange for receiving funds derived from the U.S. Transfers, the Defendants in Personam involved those units in money laundering, and by using the business entity PREVEZON HOLDINGS to engage in pervasive money laundering, the Defendants in Personam caused the entity PREVEZON HOLDINGS, and all of its assets, to be involved in money laundering.

163. Moreover, the proceeds of the U.S. Transfers, and of their laundering by Megacom Transit, Castlefront, Company-1, and the Defendants in Personam, are property traceable to the property involved in each of those acts of money laundering.

164. Accordingly, the Defendants in Rem constitute property involved in money laundering transactions and attempted money laundering transactions in violation of Sections 1956 and 1957, and property traceable to such property, and therefore are subject to forfeiture pursuant to 18 U.S.C. § 981(a)(1)(A).

**SECOND CLAIM  
(CIVIL MONEY LAUNDERING PENALTIES,  
18 U.S.C. §§ 1956(a)(1)(A) and (b))**

165. The United States incorporates by reference paragraphs

1 through 142 and 144 through 164 above as if fully set forth herein.

166. Pursuant to Title 18, United States Code, Section 1956(b), "[w]hoever conducts or attempts to conduct a transaction described in subsection (a)(1) or (a)(3), or section 1957, or a transportation, transmission, or transfer described in subsection (a)(2), is liable to the United States for a civil penalty of not more than the greater of - (A) the value of the property, funds, or monetary instruments involved in the transaction; or (B) \$10,000."

167. The Defendants in Personam engaged in financial transactions involving the proceeds of the \$230 Million Fraud Scheme, and therefore involving specified unlawful activity within the meaning of the money laundering statute.

168. The Defendants in Personam acted with the intent of promoting and perpetuating the Organization's acts of fraud, corruption and money laundering, and to aid the members of the Organization in promoting their unlawful activities.

169. Accordingly, the Defendants in Personam are liable to the United States for the value of the funds and monetary instruments involved in the transactions, in an amount to be determined at trial.

**THIRD CLAIM**  
**(CIVIL MONEY LAUNDERING PENALTIES,**  
**18 U.S.C. §§ 1956(a) (1) (B) and (b))**

170. The United States incorporates by reference paragraphs 1 through 142, 144 through 164, and 166 above as if fully set forth herein.

171. The Defendants in Personam engaged in financial transactions involving the proceeds of the \$230 Million Fraud Scheme, and therefore involving specified unlawful activity within the meaning of the money laundering statute.

172. The Defendants in Personam knew that the financial transactions were designed in whole or in part to conceal or disguise the nature, location, source, ownership, or control of the proceeds of the \$230 Million Fraud Scheme.

173. Accordingly, the Defendants in Personam are liable to the United States for the value of the funds and monetary instruments involved in the transactions, in an amount to be determined at trial.

**FOURTH CLAIM**  
**(CIVIL MONEY LAUNDERING PENALTIES,**  
**18 U.S.C. §§ 1956(a) (2) (A) and (b))**

174. The United States incorporates by reference paragraphs 1 through 142, 144 through 164, and 166 above as if fully set forth herein.

175. The Defendants in Personam transported, transmitted, and transferred monetary instruments and funds from a place in

the United States to or through a place outside of the United States, or to a place in the United States from or through a place outside the United States, with the intent to promote the Organization's underlying acts of fraud, transportation of stolen property, corruption, and money laundering, and to aid the members of the Organization in promoting their unlawful activities.

176. Accordingly, the Defendants in Personam are liable to the United States for the value of the funds and monetary instruments involved in the transactions, in an amount to be determined at trial.

**FIFTH CLAIM  
(CIVIL MONEY LAUNDERING PENALTIES,  
18 U.S.C. §§ 1956(a)(2)(B) and (b))**

177. The United States incorporates by reference paragraphs 1 through 142, 144 through 164, and 166 above as if fully set forth herein.

178. The Defendants in Personam transported, transmitted, and transferred monetary instruments and funds from a place in the United States to or through a place outside of the United States, or to a place in the United States from or through a place outside the United States, to conceal or disguise the nature, location, source, ownership, or control of the proceeds of the \$230 Million Fraud Scheme.

179. Accordingly, the Defendants in Personam are liable to

the United States for the value of the funds and monetary instruments involved in the transactions, in an amount to be determined at trial.

**SIXTH CLAIM  
(CIVIL MONEY LAUNDERING PENALTIES,  
18 U.S.C. §§ 1956(b) and 1957)**

180. The United States incorporates by reference paragraphs 1 through 142, 144 through 164, and 166 above as if fully set forth herein.

181. The Defendants in Personam knowingly engaged in monetary transactions involving funds obtained from the \$230 Million Fraud Scheme or funds traceable to such funds, and therefore involving criminally derived property which was derived from specified unlawful activity within the meaning of the money laundering statute.

182. Such transactions were made by, through, and to financial institutions and involved property of a value greater than \$10,000.

183. Accordingly, the Defendants in Personam are liable to the United States for the value of the funds and monetary instruments involved in the transactions, in an amount to be determined at trial.

**SEVENTH CLAIM  
(CIVIL MONEY LAUNDERING PENALTIES,  
18 U.S.C. §§ 1956(h) and (b))**

184. The United States incorporates by reference paragraphs

1 through 142, 144 through 164, and 166 above as if fully set forth herein.

185. From at least December of 2007, through on or about August 20, 2013, the Defendants in Personam knowingly did combine, conspire, confederate, and agree together and with each other to violate 18 U.S.C. §§ 1956(a)(1)(A), (a)(1)(B), (a)(2)(A), (a)(2)(B), and 1957.

186. It was a part and an object of the conspiracy that the Defendants in Personam engaged in financial transactions that involved the proceeds of the \$230 Million Fraud Scheme in order to promote the Organization's underlying acts of mail fraud, wire fraud, corruption, and money laundering.

187. It was a further part and object of the conspiracy that the Defendants in Personam engaged in financial transactions in whole or in part to conceal or disguise the nature, location, source, ownership, or control of the proceeds of the \$230 Million Fraud Scheme.

188. It was a further part and object of the conspiracy that the Defendants in Personam would transport, transmit, and transfer monetary instruments and funds from a place in the United States to or through a place outside of the United States, or to a place in the United States from or through a place outside the United States, with the intent to promote the Organization's underlying acts of fraud, corruption, and money

laundering.

189. It was a further part and object of the conspiracy that the Defendants in Personam would transport, transmit, and transfer monetary instruments and funds from a place in the United States to or through a place outside of the United States, or to a place in the United States from or through a place outside the United States, to conceal or disguise the nature, location, source, ownership, or control of the proceeds of the \$230 Million Fraud Scheme.

190. It was a further part and object of the conspiracy that the Defendants in Personam engaged or attempted to engage in monetary transactions in criminally derived property of a value greater than \$10,000, and which was derived from the \$230 Million Fraud Scheme.

191. Accordingly, the Defendants in Personam are liable to the United States for the value of the funds and monetary instruments involved in the conspiracy, in an amount to be determined at trial.

**REQUEST FOR RELIEF**

WHEREFORE plaintiff, the United States of America, requests that judgment be entered as follows:

- A. Enter judgment against the Defendants in Rem, and in favor of the United States, on the first claim alleged in the Complaint.

- B. Issue process to enforce the forfeiture of the Defendants in Rem, requiring that all persons having an interest in the Defendants in Rem be cited to appear and show cause why the forfeiture should not be decreed, and that this Court decree forfeiture of the Defendants in Rem to the United States of America for disposition according to law;
- C. Enter judgment against the Defendants in Personam, and in favor of the United States, on the second through seventh claims alleged in the Complaint.
- D. Award the United States civil money laundering penalties from the Defendants in Personam or other property on the second through seventh claims alleged in the Complaint, in an amount to be proven at trial to a jury, plus prejudgment and postjudgment interest.

E. Grant the Government such further relief as this Court may deem just and proper, together with the costs and disbursements in this action.

Dated: New York, New York  
October 23, 2015

PREET BHARARA  
United States Attorney  
Attorney for the United States of  
America



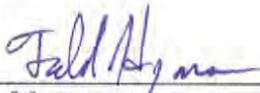
PAUL M. MONTELEONI  
MARGARET GRAHAM  
JAIMIE L. NAWADAY  
CRISTINE I. PHILLIPS  
Assistant United States Attorneys  
One Saint Andrew's Plaza  
New York, New York 10007  
Telephone: (212) 637-2219/2923/  
2275/2696  
Facsimile: (212) 637-0084  
E-mail: paul.monteleoni@usdoj.gov  
margaret.graham@usdoj.gov  
jaimie.nawaday@usdoj.gov  
cristine.phillips@usdoj.gov

VERIFICATION

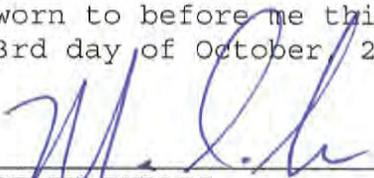
STATE OF NEW YORK )  
COUNTY OF NEW YORK :  
SOUTHERN DISTRICT OF NEW YORK )

Todd Hyman, being duly sworn, deposes and says that he is a Special Agent with the Department of Homeland Security, and as such has responsibility for the within action; that he has read the foregoing Verified Complaint and knows the contents thereof, and that the same is true to the best of his knowledge, information, and belief.

The sources of deponent's information and the ground of his belief are official records and files of the United States, information obtained directly by the deponent, and information obtained by other law enforcement officials and representatives during an investigation of alleged violations of Title 18, United States Code.

  
\_\_\_\_\_  
Todd Hyman  
Special Agent  
Department of Homeland Security,  
Homeland Security Investigations

Sworn to before me this  
23rd day of October, 2015:

  
\_\_\_\_\_  
NOTARY PUBLIC

MARCO DASILVA  
Notary Public, State of New York  
No. 01DA6145603  
Qualified in Nassau County  
My Commission Expires May 13, 2018

# Exhibit A







# Exhibit B



# Exhibit C



# Exhibit D

