

**UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA**

HULLEY ENTERPRISES LTD.,
YUKOS UNIVERSAL LTD., and
VETERAN PETROLEUM LTD.,

Petitioners,

v.

THE RUSSIAN FEDERATION,

Respondent.

Case No. 1:14-cv-01996-BAH

DECLARATION OF DMITRY GOLOBOV

I, **DMITRY GOLOBOV**, declare and state as follows:

1. I was born in 1969 in the Russian Soviet Federative Socialist Republic, which became known in 1991 as the Russian Federation. I have lived in England since September 2004.

2. I am an advocate qualified in Russian law and a member of the Moscow Bar (admitted in 2002), as well as a qualified solicitor in England and Wales (admitted in 2015). I hold advanced degrees in Russian and English law from Tver State University, the Academy of the Ministry of Internal Affairs in St. Petersburg, Queen Mary University, the London School of Economics, University College London and University of Westminster. I have given lectures on international financial crime (specifically money laundering and corporate fraud) at the University of Westminster and on comparative law at BPP University. My full curriculum vitae is attached to this statement.¹ I currently work as the head of my own legal practice, Gololobov and Co., and specialize in Financial & Corporate Crime and Corporate Conflicts in the

¹ Curriculum Vitae of Dmitry Gololobov, Ex. R-638.

Commonwealth of Independent States ("CIS"). I am also the head of the CIS practice at iLaw, a commercial law firm with a focus on clients in the technology, media, and telecoms sectors.

3. From 1995 until 2004, I worked as an in-house legal consultant for companies associated with Mr. Mikhail B. Khodorkovsky, including Bank Menatep, ZAO Rosprom ("Rosprom"), and OAO Yukos Oil Company ("Yukos"). I therefore was aware of, and was on certain occasions responsible for reviewing, the means by which Mr. Khodorkovsky and his closest associates (specifically, Mr. Leonid B. Nevzlin, Mr. Platon L. Lebedev, Mr. Mikhail B. Brudno, and Mr. Vladimir M. Dubov) acquired ownership of more than 70% of the shares of Yukos. I also learnt how they used a series of shell companies, both in the Russian Federation and in offshore jurisdictions (including Cyprus, the Isle of Man, and the British Virgin Islands) to move their Yukos shares in order to conceal their ownership of Yukos from the Government of the Russian Federation and the Russian public. After 2000, Mr. Khodorkovsky and his above-listed associates ("the Oligarchs") owned and controlled Yukos through three offshore shell companies called Hulley Enterprises Limited ("HEL"), Yukos Universal Limited ("YUL"), and Veteran Petroleum Limited ("VPL"), as well as these shell companies' parent entity, Group Menatep Limited ("GML").

4. Each of the Oligarchs was involved to different degrees in these organizations. Mr. Khodorkovsky was the primary decision-maker for all major projects, and served as Chairman of the Board for both Bank Menatep and Yukos. He also reviewed the draft budgets for Yukos and for the whole corporate group. Mr. Nevzlin was also involved in decision-making, but had meetings in private with Mr. Khodorkovsky and usually made decisions together with him. He was First Deputy Chairman of Bank Menatep, and a Vice President at Yukos, and was responsible for political matters, including both government relations and public relations. Mr. Lebedev was the Deputy Chairman of Bank Menatep and responsible for the Oligarchs' offshore structures, such as GML, and so was external to Yukos and had an office outside of Moscow. Mr. Dubov and Mr. Brudno were both members of the Board of Directors for Bank Menatep. Mr. Brudno was the Vice President in charge of "Yukos RM," which was responsible for refining and marketing at Yukos, and also held other positions at various times. Mr. Dubov was officially outside the group for a number of years, beginning in 1999 when he became a member of the State Duma, but still had meetings with Khodorkovsky in private, still

had an office at Yukos, and lobbied on behalf of the group. Another of the Oligarchs, Mr. Vasily Shakhnovsky, joined the group later, after the acquisition of Yukos in 1995 and 1996, and became head of OOO Yukos Moscow. He performed only administrative roles and rubber-stamped decisions that had been made by Mr. Khodorkovsky together with the others.

5. In this witness statement, I will address essentially the following six topics relating to the years that I worked for the Oligarchs:

- i. The means by which the Oligarchs acquired a majority of Yukos shares, which involved making what I understand to have been illegal payments to Government-appointed individuals, corruption, and collusive bid-rigging in connection with the Loans-for-Shares auctions in 1995 and 1996;
- ii. The means by which the Oligarchs moved their Yukos shares offshore, without seeking or obtaining the permission of the Ministry for Anti-Monopoly Policy, as was legally required;
- iii. The steps taken by the Oligarchs during the aftermath of Bank Menatep's insolvency in 1998, including their treatment of creditors and minority shareholders, as well as destruction of documents;
- iv. The extensive discussions among Yukos executives in 2002 and 2003 in connection with the Oligarchs' "Project Voyage" Working Group, during which we (successfully) advised the Oligarchs not to attempt an issuance of Level 3 American Depositary Receipts (ADRs), which would have substantially increased the Oligarchs' vulnerability to criminal prosecution in the United States;
- v. The steps taken in response to the financial collapse of Yukos in 2004 and 2005 due to the assessment of significant unpaid tax liabilities, during which the Oligarchs conspired with certain Yukos managers to transfer Yukos assets into two Dutch *stichtings* in order to shield them from legitimate creditors (such as foreign banks and the Russian tax authorities); and
- vi. The public statements by Mr. Khodorkovsky in 2010 and 2016, seeking to absolve himself of all guilt and liability, to which I responded publicly in articles for *Vedomosti* and *Russian Business Consulting*.

I will also explain the basis for my knowledge and provide citations to specific documents, which are appended to this witness statement.

I. THE PRIVATIZATION OF YUKOS

6. I first moved to Moscow in the summer of 1995, and was hired through a recruitment agency by one of Bank Menatep's executives, Mr. Viktor Prokofiev, as an in-house legal consultant. I worked for Bank Menatep very briefly, before I was reassigned to work for an affiliated entity, known as Rosprom. Rosprom was a management company, which supervised and operated many of the companies affiliated with Bank Menatep. I was aware at this time that both Bank Menatep and Rosprom were owned and controlled by Mr. Khodorkovsky, Mr. Nevzlin, Mr. Lebedev, and their fellow Oligarchs. After working at Rosprom for roughly one year, I was reassigned once more to work for Yukos itself, which had been acquired by the Oligarchs from the Government of the Russian Federation in two separate share purchases in 1995 and 1996 within the framework of the Loans-for-Shares auctions, as explained below.

7. I worked at Yukos for many years directly under Mr. Vasily G. Aleksanyan, who was General Counsel to Yukos and a close advisor to Mr. Khodorkovsky. While working at Yukos, I had considerable involvement in the use of offshore entities to carry out complicated investment strategies on behalf of Yukos and its ultimate owners, the Oligarchs.² I also participated in a working group associated with the Oligarchs' "Project Voyage," together with the Oligarchs' advisors from Akin Gump LLP, Clifford Chance LLP, PricewaterhouseCoopers (PwC), and Deutsche Bank.³ As I discuss below in Part IV of this witness statement, Project Voyage involved the preparation of certain registration statements for the U.S. Securities and Exchange Commission (SEC) in 2002 and 2003, in connection with a public listing of Level 3 American Depositary Receipts (ADRs) for Yukos in the United States. It was during Project Voyage that I gained a particularly detailed knowledge of the events of 1995 and 1996. Indeed, one of the key questions for the Project Voyage working group was how to conceal the Oligarchs' illegal

² As one example, in 2000, I drafted a memorandum to be sent to Mr. Khodorkovsky under Mr. Aleksanyan's signature, which related to reducing labor costs by channeling the remuneration of Yukos employees through subsidiary companies in Cyprus. Memorandum from V.G. Aleksanyan to M.B. Khodorkovsky, *Methods for Remuneration of the Company's Employees* (Mar. 3, 2000), attached to Email from D. Gololobov to A. Valentinovich, (Apr. 14, 2000), ECF No. 109-17, Ex. R-634.

³ Project Voyage Updated Schedule (ADR Listing) (Aug. 7, 2002), ECF No. 109-2, Ex. R-618; UBS Warburg, Project "Voyage" Working Group List (Nov. 4, 2002), ECF No. 109-3, Ex. R-619.

activities in 1995 and 1996 (which we referred to as the “old sins” (*старые грехи*)),⁴ while still providing enough detail in the registration statements to satisfy the SEC. My references to the activities in 1995 and 1996 as being “illegal” is based on my knowledge of the facts and the letter and spirit of the Russian law applicable at the time. Naturally, the Oligarchs were committed to concealing the illegal activities committed in 1995 and 1996 from both the Government of the Russian Federation and the Russian people. My fellow Yukos executives and I feared that disclosure of these illegal activities would result in the “de-privatization” of Yukos, as well as potential prosecution of the Oligarchs for fraud, corruption, and collusive bid-rigging. The Oligarchs also feared prosecution in the United States—which they called “the American hook”—as Mr. Khodorkovsky stated explicitly in early 2003.⁵ These fears ultimately caused Mr. Khodorkovsky and the other Oligarchs to cancel the listing of Level 3 ADRs for Yukos in the United States.

8. The relevant events of 1995 and 1996 were as follows. In December 1995, shortly after I was transferred from Bank Menatep to Rosprom, Mr. Khodorkovsky and the other Oligarchs acquired ownership and control of Yukos—the majority of which had previously been owned by the Government—in one of the “Loans-for-Shares” auctions, which had been conducted jointly with an Investment Tender. The Loans-for-Shares auctions were a means of privatization established on August 31, 1995, under Presidential Decree No. 889, in order to provide a source of funding for the Government during a difficult financial period.⁶ In the specific case of Yukos, 45% of the total shares were subjected to a Loans-for-Shares auction governed by Presidential Decree No. 889, whereas 33% of the total shares of Yukos were sold through an Investment Tender.

⁴ Memorandum from P.N. Malyi to O.V. Sheyko, *MBKh Liability*, at 4 ¶ 3, attached to E-mails from P.N. Malyi to O.V. Sheyko, *Liability in the US* (Mar. 13 and 20, 2003), ECF No. 112-5, Ex. R-663.

⁵ Email from Mr. Khodorkovsky to Mr. Sheyko, *Suspension of Voyage* (Feb. 20, 2003), ECF No. 109-11, Ex. R-628.

⁶ Presidential Decree of the Russian Federation on the Procedure for Putting the Federally Owned Shares in Pledge, Aug. 31, 1995, No. 889 (“Presidential Decree No. 889”), ECF No. 40-1, Ex. R-261.

A. The 45% Block of Yukos Shares

9. Under the terms of Decree No. 889, private bidders were invited to bid competitively for an opportunity to make a loan to the Ministry of Finance, which would be secured by a pledge of the shares of large, State-owned enterprises (such as Yukos) as collateral, under a pledge agreement with the State Property Committee.⁷ The bidder which offered the largest loan would win the Loans-for-Shares auction, and would then make the loan.⁸ In the event that the Ministry of Finance defaulted on the loan, Decree No. 889 provided that the original bidder would be obligated to sell the pledged shares in a second competitive auction and permitted to keep 30% of the excess proceeds (*i.e.*, 30% of the difference between the sale price and the amount of the original loan).⁹ The remaining 70% of the surplus proceeds had to be paid back to the Government.¹⁰ Decree No. 889 also provided that at least two genuine bidders were required to participate in each Loans-for-Shares auction, or else the results would not be valid.¹¹ Exactly the same requirement was set forth under Article 447 of the Civil Code of the Russian Federation, which provided as follows: “An auction by bidding or a competition in which there has been only one participant shall be considered as not having taken place.”¹²

10. There were not two genuine bidders in any of the competitions relating to the acquisition of Yukos shares—a fact which the Oligarchs actively took steps to conceal. In the Loans-for-Shares auction relating to 45% of Yukos in December 1995, only two companies ultimately were allowed to participate: ZAO Laguna and ZAO Reagent.¹³ ZAO Laguna won by bidding US\$ 159 million, which was slightly more than ZAO Reagent’s bid of US\$ 150.1 million, which was

⁷ Presidential Decree No. 889, ECF No. 40-1, Ex. R-261.

⁸ Presidential Decree No. 889, August 31, 1995, ECF No. 40-1, Ex. R-261.

⁹ Presidential Decree No. 889, App. No. 3 §§ 8-9, ECF No. 40-1, Ex. R-261.

¹⁰ Presidential Decree No. 889, App. No. 3 ¶¶ 8-9, ECF No. 40-1, Ex. R-261.

¹¹ Presidential Decree No. 889, App. No. 3 ¶ 7, ECF No. 40-1, Ex. R-261.

¹² *Grazhdanskii Kodeks [GK] [Civil Code] art. 447(5) (Russ.)* (“Civil Code of the Russian Federation”), ECF No. 51-1, Ex. R-272).

¹³ Loans for Shares Auction Commission, Minutes No. 1 (Dec. 8, 1995), ECF No. 25-4, Ex. R-4; Loans for Shares Auction Commission, Minutes No. 2 (Dec. 8, 1995), ECF No. 25-5, Ex. R-5.

slightly more than the minimum bid price of US\$ 150 million.¹⁴ After the Government defaulted on the loan in 1996, the 45% block of Yukos was auctioned off in December 1996. In this auction, the only participants were ZAO Monblan and OAO Moscow Food Factory (*Московский пищевой комбинат*), which bid US\$ 160.1 million and US\$ 160.05 million, respectively.¹⁵ All of the ultimate participants in these auctions—including ZAO Laguna, ZAO Reagent, ZAO Monblan, and OAO Moscow Food Factory—were effectively owned and controlled by Mr. Khodorkovsky and the other Oligarchs. Considerable effort was taken to disguise the actual ownership and control of these shell companies. For example, additional shell companies, ZAO Polinep and ZAO Globus, were established to serve as the parent companies of ZAO Laguna.¹⁶

11. As was well known among high-level Yukos employees, such as myself,¹⁷ the general directors of these shell companies—including Mr. Andrei Vladimirovich Kraynov, Mr. Arkady Vitalyevich Zakharov, and Mr. Andrei Vasilyevich Koval—were actually employed by Russian Trust and Trade (“RTT”), which was a joint venture established by Bank Menatep and Menatep S.A.¹⁸ Those RTT employees were acting at all times under the leadership of Mr. Gitas P. Anilionis, who worked in close cooperation with Mr. Vladimir Moiseyev, an old school friend and confidante of Mr. Khodorkovsky and, formally, the Head of the Methodology Department at

¹⁴ Loans for Shares Auction Commission, Minutes No. 2 (Dec. 8, 1995), ECF No. 25-5, Ex. R-5; Pledge Agreement No. 01-2/2761 (Dec. 13, 1995), ECF No. 25-8, Ex. R-8; Stock Purchase Agreement No. 1-12-1/990 (Dec. 14, 1995), ECF No. 25-9, Ex. R-9.

¹⁵ Tender Committee, Report on the Sale of Shares of Yukos Oil Company (Dec. 24, 1996), ECF No. 27-7, Ex. R-47.

¹⁶ ZAO Laguna, Tender Investment Proposal (1995), ECF No. 116-3, Ex. R-701.

¹⁷ I recall, for example, supervising the effort in 1998 to obtain approval from the Ministry on Antimonopoly Policy for certain transactions involving these shell companies, when the Oligarchs decided to move their Yukos shares from the RTT employees’ shell companies to HEL’s wholly-owned subsidiaries in Cyprus (including the companies called Kincaid, Barion, Temerain, Wandsworth, and Cayard). See Memorandum from Clifford Chance, Doc No. 1-90646-06, at 4-5 (Undated), ECF No. 109-14, Ex. R-631; see also Letters of Approval from the Ministry on Antimonopoly Policy (Dec. 17, 1998), Ex. R-731. Notably, it was never explained to the Ministry on Antimonopoly Policy that there were RTT employees on both sides of all of these transactions. Nor was the approval of the Ministry on Antimonopoly Policy obtained for the transactions between 1996 and 1998, as I explain further below.

¹⁸ RTT, Employee List for 1995 (Sept. 1, 1995), ECF No. 25-3, Ex. R-3; RTT, Joint Venture Charter (Amended Dec. 8, 1997), ECF No. 25-2, Ex. R-2; Moscow Registration Chamber, RTT Certificate of Registration No. 012.244 (Sept. 24, 1992), ECF No. 25-1, Ex. R-1; see also Information on the Privatization of Menatep Enterprises, ECF No. 112-7, Ex. R-665 (identifying “Moscow Food Factory” as one of the Oligarchs’ companies within the “Food Industry”).

Yukos. Mr. Moiseyev's office at the Yukos headquarters was located close to the office of the legal department and I often heard his employees speaking about RTT and the corporate structures involved in the events of 1995 and 1996.

12. Essentially, RTT provided secretarial services related to the registration and upkeep of shell companies, which Bank Menatep, Rosprom, and Yukos used for a wide variety of purposes, including bid rigging, tax avoidance, avoidance of obligations under employment and environmental laws, obscuring the continued control of Yukos by the Oligarchs, circumvention of antimonopoly laws, and defense against the risk of de-privatization based on the illegal methods by which their Yukos shares were originally obtained. The employees of RTT acted as the shell companies' general directors,¹⁹ but made no decisions regarding these shell companies' activities without the express consent of the Oligarchs—usually communicated through either Mr. Moiseyev or Mr. Anilionis. Mr. Anilionis received some of RTT's instructions during regular meetings (which I also attended) at Mr. Khodorkovsky's headquarters on Kolpachny Lane.

13. As was well understood by high-level Yukos employees, the fact that the 1995 and 1996 auctions were rigged (involving only one genuine bidder, Bank Menatep itself) would have invalidated the auction results under Section 6 of Presidential Decree No. 889, as well as under Articles 168, 169, 170, and 447 of the Civil Code—thus nullifying the Oligarchs' ownership and control of Yukos. It was also well known that the State Duma had condemned collusive bidding in its Resolution No. 3331-II GD in 1998, and made specific reference to the Loans-for-Shares auctions in 1995 and 1996. The State Duma's Resolution urged President Yeltsin to seek to annul the results of any Loans-for-Shares auctions won through collusive bidding, through the

¹⁹ Compare RTT, Employee List for 1995 (Sept. 1, 1995), ECF No. 25-3, Ex. R-3 (identifying Mr. Koval, Mr. Zakharov, Mr. Kraynov, and Mr. Kobzar as RTT Employees), with Stock Purchase Agreement No. L/A-1 (Jan. 24, 1996), ECF No. 25-10, Ex. R-10 (identifying Mr. Koval as representing ZAO Astarta "on the basis of the Charter" and Mr. Zakharov as representing ZAO Laguna "on the basis of the Charter"), and Stock Purchase Agreement No. L/T-1 (Jan. 24, 1996), ECF No. 25-11, Ex. R-11 (identifying Mr. Kobzar as representing ZAO Tonus "on the basis of the Charter" and Mr. Zakharov as representing ZAO Laguna "on the basis of the Charter"), and Stock Purchase Agreement No. U-51/97 (May 5, 1997), ECF No. 25-12, Ex. R-12 (identifying Mr. Koval as representing ZAO Flex-Oil as the "General Director . . . on the basis of the Charter" and Mr. Kobzar as representing ZAO Yukos Trust as the "General Director . . . on the basis of the Charter"), and Stock Purchase Agreement No. Ts-703 (Dec. 24, 1996), ECF No. 25-14, Ex. R 14 (identifying Mr. Kraynov as the General Director of ZAO Mont Blanc "on the basis of the Charter").

Russian courts under Article 170 of the Civil Code.²⁰ The State Duma's Resolution also stated that some of the Loans-for-Shares auctions were sham transactions because the parties that participated in them were "by turns, the same legal entities, which allowed them to adjust and coordinate their actions in advance in order to acquire blocks of shares at a marked-down price."²¹ My fellow Yukos employees and I thus understood that the Oligarchs' unlawful acquisition of Yukos shares had to be kept secret from both the Government of the Russian Federation and the Russian public.

14. Keeping this secret was made easier by the fact that Bank Menatep had itself been appointed as the administrator of the 1995 and 1996 auctions under agency contracts with the State Property Committee and the Russian Fund of Federal Property.²² Although he was not the only employee dealing with these matters, Mr. Konstantin Kagalovsky, a senior Bank Menatep official, had primary responsibility for reviewing the bids. He was thus well-situated to conceal the collusive arrangement between the Oligarchs, the RTT employees, and the shell companies. Indeed, Mr. Kagalovsky also publicly denied that there was any connection between the Oligarchs and the shell companies. In one memorable example, during a press conference in 1996, Mr. Kagalovsky publicly stated that the Oligarchs had no relationship with ZAO Monblan (spelled "Mont Blanc" in English), which was the shell company that won the 1996 auction. Specifically, Mr. Kagalovsky told reporters, "[t]here is no connection between Monblan and Menatep. They are different organizations."²³ As my colleagues and I knew, however, this statement was false—the general director of ZAO Monblan was Mr. Andrey V. Kraynov, an employee of RTT, who took directions from the Oligarchs.²⁴

²⁰ Resolution of the State Duma of the Russian Federation on the Non-Admissibility of Passing Shares of Joint-Stock Companies of Strategic Importance for the National Security into the Ownership of Non-Residents of the Russian Federation, No. 3331-II GD, Dec. 4, 1998 ("Resolution of the State Duma No. 3331-II GD"), ECF No. 41-4, Ex. R-284.

²¹ Resolution of the State Duma No. 3331-II GD, ECF No. 41-4, Ex. R-284.

²² Loans for Shares Auction Commission, Minutes No. 1 (Dec. 8, 1995), ECF No. 25-4, Ex. R-4; Loans for Shares Auction Commission, Minutes No. 2 (Dec. 8, 1995), ECF No. 25-4, Ex. R-5; Tender Committee, Report on the Sale of Shares of Yukos Oil Company (Dec. 24, 1996), ECF No. 27-7, Ex. R-47.

²³ Sergey Lukianov, *'Managed' Yukos Sale Fetches \$160M*, Moscow Times (Dec. 24, 1996), ECF No. 109-1, Ex. R-617.

²⁴ RTT Employee List for 1995 (Sept. 1, 1995), ECF No. 25-3, Ex. R-3 (identifying A.V. Kraynov as an employee of RTT); Stock Purchase Agreement No. Ts-703 (Dec. 24, 1996), ECF No. 25-14, Ex. R-14 (referencing

B. The 33% Block of Yukos Shares

15. As noted above, only 45% of the total shares of Yukos had been designated to be pledged in a Loans-for-Shares auction on December 8, 1995. Another 33% would be sold outright in a separate Investment Tender, which was conducted on the same day as the Loans-for-Shares auction. Under the terms of the Investment Tender, the private entity selected as the winner would also be obliged to make a series of mandatory investments pursuant to the Government's Investment Program. To win the Investment Tender—while avoiding making the mandatory investments required under the Investment Program—the Oligarchs entered into an illegal agreement with a group of Government appointees and employees: Mr. Sergey V. Muravlenko, Mr. Youry A. Golubev, Mr. Viktor A. Kazakov, and Mr. Viktor V. Ivanenko. In exchange for providing secret assistance to the Oligarchs in connection with the Investment Tender and Investment Program, these Government appointees and employees received extraordinarily large payments funneled through offshore companies under sham agreements concluded with the Oligarchs.²⁵ This arrangement had much in common with a similar scheme by which the Oligarchs also fraudulently obtained the shares of a State-owned fertilizer company called OAO Apatit, without complying with the associated investment program (for which several of the Oligarchs were later prosecuted and convicted in 2005).

16. Prior to the privatization of Yukos in 1995 and 1996, Mr. Muravlenko, Mr. Kazakov and Mr. Ivanenko had been the directors of Yukos, and Mr. Golubev was the head of various departments from time to time. Mr. Muravlenko had received his position under a formal appointment by decree of the Government, and all four of these men had been responsible for the administration of the Government's assets. These four managers had a number of official powers, which they used in favor of the Oligarchs. Under the Regulation on Investment Tenders for the Sale of Shares of OAO Yukos Oil Company dated December 15, 1994, Mr. Muravlenko

"Closed Joint Stock Company Mont Blanc, hereinafter referred to as the 'Buyer', represented by General Director Andrey Vladimirovich Kraynov, acting on the basis of the Charter").

²⁵ Agreement between Group Menatep Ltd. and Tempo Finance, Ltd. (Mar. 26, 2002), ECF No. 116-1, Ex. R-699 (identifying Mr. Sergey V. Muravlenko, Mr. Youry A. Golubev, Mr. Viktor A. Kazakov, and Mr. Viktor V. Ivanenko as the "Beneficiaries"); Restated Compensation Agreement between Group Menatep Ltd. and Tempo Finance, Ltd. (Nov. 1, 2002), ECF No. 109-5, Ex. R-621 (identifying Mr. Sergey V. Muravlenko, Mr. Youry A. Golubev, Mr. Viktor A. Kazakov, and Mr. Viktor V. Ivanenko as the "Beneficiaries").

and his colleagues (acting for “the Company”) were empowered to select one of the members of the Investment Tender commission, which would evaluate the tender application submitted by ZAO Laguna to acquire the 33% block of Yukos shares.²⁶ Mr. Muravlenko and his colleagues also designed the Government’s Investment Program, which the State Property Committee adopted in Order 1547-R on October 25, 1995,²⁷ and were empowered to certify whether the winner of the Investment Tender actually did or did not fulfil the terms of the Investment Program.²⁸

17. The Government-appointed managers had meetings with the Oligarchs in September and October of 1995,²⁹ when Yukos was still mostly Government-owned, and agreed to help the Oligarchs to obtain Yukos without complying with the Investment Program. Secretly, in exchange for the Government-appointed managers’ help, the Oligarchs promised to pay Mr. Muravlenko and his colleagues an extraordinary amount of compensation. In an oral agreement concluded in principle in 1995, the Oligarchs promised to pay 15% of the gross cash proceeds from any sale of Yukos shares held by the Oligarchs—which would ultimately be worth potentially several billion U.S. dollars—to these four individuals.³⁰ The Oligarchs also paid millions of U.S. dollars to these four individuals through an offshore shell company called Tempo Finance Ltd. based in the British Virgin Islands,³¹ as well as other, smaller payments

²⁶ Regulation on Investment Tenders for the Sale of Shares of OAO Yukos Oil Company § 2.4 (Dec. 15, 1994), ECF No. 117-2, Ex. R-714.

²⁷ See State Committee of the Russian Federation for the Management of State Property, Directive No. 1547-R (Oct. 25, 1995), ECF No. 114-6, Ex. R-684.

²⁸ See Certificate of Fulfilment of the Activities of OAO Yukos Oil Company’s Investment Program in Accordance with the Conditions of the Pledge Auction, approved by Bank Menatep (Dec. 16, 1998), ECF No. 116-2, Ex. R-700.

²⁹ See Memorandum from A.D. Golubovich to M.B. Khodorkovsky, *Negotiations to Acquire YUKOS at Mid-October Meeting* (Nov. 2, 1995), ECF No. 114-7, Ex. R-685.

³⁰ See 2001 Audit Memorandum on Veteran Managers’ Plan and Agreement, at 2, attached to E-mail from D. Miller to B. Misamore (Aug. 14, 2002), ECF No. 109-8, Ex. R-624; Agreement between Group Menatep Ltd. and Tempo Finance, Ltd. (Mar. 26, 2002), ECF No. 116-1, Ex. R-699; Restated Compensation Agreement between Group Menatep Ltd. and Tempo Finance, Ltd. (Nov. 1, 2002), ECF No. 109-5, Ex. R-621 (“The Beneficiaries’ Fees are set at 15% (fifteen percent) of the Revenue received from the sale of Shares.”); Email from B. Misamore to D. Gololobov (Nov. 27, 2002), ECF No. 109-6, Ex. R-622 (describing the “Veteran Managers – Compensation Agreement”); Email from D. Walsh to D. Miller (Sept. 19, 2002), ECF No. 109-7, Ex. R-623.

³¹ Yukos Universal Ltd., Bank Account Statements (2002-2003), ECF No. 114-9, Ex. R-687; Agreement between Group Menatep Ltd. and Tempo Finance, Ltd. (Mar. 26, 2002), ECF No. 116-1, Ex. R-699; Restated Compensation Agreement between Group Menatep Ltd. and Tempo Finance, Ltd. (Nov. 1, 2002), ECF No.

through shell companies based on the Isle of Man called Tisbury Ltd., Laleham Ltd., Status Services Ltd., and Hinchley Ltd.³²

18. Mr. Muravlenko also wrote a letter on September 27, 1995, proposing to Mr. Anatoly B. Chubais, the First Deputy Chairman of the Government of the Russian Federation, that the privatization of Yukos should be accomplished “by *concentrating* a block of the company’s shares in the hands of an effective investor.”³³ As Mr. Muravlenko explained, “[u]nder the Master Plan for the Privatization of YUKOS, 45% of the shares [were] being consolidated under federal ownership for a period of three years . . . [and] pledged as collateral in an auction for the right to enter into a loan agreement with the Ministry of Finance of the Russian Federation,” whereas “33% of the shares [were] to be sold in an investment tender.”³⁴ On behalf of the Oligarchs, Mr. Muravlenko used his influence to persuade the Government that a single investor should acquire both the 45% block and the 33% block of shares. It was Mr. Muravlenko who urged the Government to change course and *combine* the Loans-for-Shares auction together with the Investment Tender, which would thus enable a single entity to acquire 78% of the company in a single stroke.

19. As Mr. Muravlenko wrote in his letter dated September 27, 1995, to Mr. Anatoly B. Chubais:

In order to make sure that a controlling block of shares is concentrated in the hands of a serious investor, we feel it is essential that only bidders who have already confirmed their readiness to invest by participating in the investment tender should participate in the [Loans-for-Shares] auction. The investment tender for the sale of YUKOS shares must also serve as a selection mechanism for bidders wishing to participate in the auction. . . . I would like to emphasize that the proposed arrangement of an interconnected auction for the right to enter

109-5, Ex. R-621; Schedule I to the Agreement between Group Menatep Limited and Tempo Finance, Ltd. (Mar. 26, 2002), ECF No. 116-8, Ex. R-710 (relating to payments from GML to Tempo Finance Ltd.).

³² Services Agreement between V.V. Valentinovich and Tisbury Ltd., Services Agreement between V. V. Ivanenko and Laleham Ltd., Services Agreement between V.A. Kazakov and Status Services Ltd., and Services Agreement between S.V. Muravlenko and Hinchley Ltd., ECF No. 116-6, Ex. R-704.

³³ Letter from S.V. Muravlenko to A.B. Chubais (Sept. 27, 1995), ECF No. 26-18, Ex. R-38 (emphasis added).

³⁴ Letter from S.V. Muravlenko to A.B. Chubais (Sept. 27, 1995), ECF No. 26-18, Ex. R-38.

into a loan agreement and an investment tender will make it possible to ensure . . . that YUKOS has a serious strategic investor³⁵

The Government ultimately adopted Mr. Muravlenko's proposal and combined the two competitions. The Loans-for-Shares auction for 45% of the Yukos shares was held jointly with the Investment Tender for 33% of the Yukos shares, and both competitions were won by ZAO Laguna (which was under the control of Mr. Zakharov, a RTT employee).³⁶

20. In addition, Mr. Muravlenko and his colleagues agreed to revise the Government's investment program for Yukos as the Oligarchs instructed. The Government deferred to Mr. Muravlenko and his colleagues on this matter as well. Mr. Muravlenko proposed the revised investment program on October 12, 1995, which the State Property Committee adopted in Order No. 1547-R on October 25, 1995.³⁷ Years later, in 1998, one of Mr. Muravlenko's colleagues, Mr. Kazakov, would certify that the Oligarchs' shell companies had fulfilled the investment obligations set forth under Order No. 1547-R,³⁸ which evidently transpired not to be the case. In fact, these investment obligations—which were a mandatory condition of the acquisition of Yukos—were never actually fulfilled.

21. For some time after the Oligarchs obtained the majority shareholding of Yukos, Mr. Muravlenko and his colleagues remained at Yukos as figureheads, although Mr. Ivanenko and Mr. Kazakov left Yukos in 1998 and 1999, respectively (while continuing to receive multimillion-dollar payments through Tempo Finance Ltd., Tisbury Ltd., Laleham Ltd., Status Services Ltd., and Hinchley Ltd. until as late as 2003).³⁹ During their time as private executives

³⁵ Letter from S.V. Muravlenko to A.B. Chubais (Sept. 27, 1995), ECF No. 26-18, Ex. R-38.

³⁶ Loans for Shares Auction Commission, Minutes No. 1 (Dec. 8, 1995), ECF No. 25-4, Ex. R-4; Loans for Shares Auction Commission, Minutes No. 2 (Dec. 8, 1995), ECF No. 25-5, Ex. R-5; Pledge Agreement No. 01-2/2761 (Dec. 13, 1995), ECF No. 25-8, Ex. R-8; Stock Purchase Agreement No. 1-12-1/990 (Dec. 14, 1995), ECF No. 25-9, Ex. R-9.

³⁷ State Committee of the Russian Federation for the Management of State Property, Directive No. 1547-R (Oct. 25, 1995), ECF No. 114-6, Ex. R-684.

³⁸ Certificate of Fulfilment of the Activities of OAO Yukos Oil Company's Investment Program in Accordance with the Conditions of the Pledge Auction, approved by Bank Menatep (Dec. 16, 1998), ECF No. 116-2, Ex. R-700.

³⁹ Yukos Universal Ltd. Bank Account Statements (2002-2003), ECF No. 114-9, Ex. R-687; Agreement between Group Menatep Ltd. and Tempo Finance, Ltd. (Mar. 26, 2002), ECF No. 116-1, Ex. R-699; Restated Compensation Agreement between Group Menatep Ltd. and Tempo Finance, Ltd. (Nov. 1, 2002), ECF No. 109-5, Ex. R-621; Schedule I to the Agreement between Group Menatep Limited and Tempo Finance Ltd.

of Yukos, Mr. Muravlenko and his colleagues remained loyal to the Oligarchs and assisted with their efforts to consolidate the Oligarchs' control over Yukos and dilute the ownership interests of minority shareholders. This is reflected in the numerous agreements and internal resolutions whereby Mr. Muravlenko and his colleagues assisted the Oligarchs to obtain control of certain Yukos assets.⁴⁰

22. Since, as described above, Mr. Muravlenko and his colleagues provided concrete benefits to Mr. Khodorkovsky and the other Oligarchs, the Oligarchs' multimillion-dollar payments and 2002 agreement to pay Mr. Muravlenko (and the other top managers) 15% of the proceeds from the sale of their Yukos shares resulted from an arrangement that was illegal in my view and that was designed to circumvent the Government's Investment Program.⁴¹ Indeed, Mr. Khodorkovsky later confirmed in conversations with Mr. Doug Miller, one of the lead accountants for PwC, that his payments to Mr. Muravlenko and the other top managers did have an illegal purpose and that Mr. Khodorkovsky could be imprisoned for concluding this agreement.

II. THE CONCEALMENT OF THE OLIGARCHS' YUKOS SHARES IN OFFSHORE SHELL COMPANIES

23. Between 1996 and 2000, the Oligarchs moved their Yukos shares from ZAO Laguna and ZAO Monblan to HEL, YUL, and VPL in a long series of share transfers between numerous

(Mar. 26, 2002), ECF No. 116-8, Ex. R-710; Services Agreement between V.V. Valentinovich and Tisbury Ltd., Services Agreement between V.V. Ivanenko and Laleham Ltd., Services Agreement between V.A. Kazakov and Status Services Ltd., and Services Agreement between S.V. Muravlenko and Hinchley Ltd. (ECF No. 116-6, Ex. R-704).

⁴⁰ Contract No. 001-10 between ZAO Rosprom and OAO Yukos Oil Company (Feb. 20, 1997), Ex. R-732; Contract between OAO Yuganskneftegaz and ZAO Yukos EP (Sept. 23, 1998), Ex. R-733; Contract between OAO Samaraneftegaz and ZAO Yukos EP (Sept. 23, 1998), Ex. R-734; Contract between OAO Tomskneft and ZAO Yukos EP (Sept. 29, 1998), Ex. R-735; Contract between OAO Samaraneftegaz and OAO Yukos Oil Company (July 7, 1998), Ex. R-736; Protocol No. 1 of Extraordinary Shareholders Meeting of OAO Yuganskneftegaz (Mar. 30, 1999), Ex. R-737; OAO Samaraneftegaz, Extraordinary Shareholders Meeting Minutes No. 1 (Mar. 23, 1999), ECF No. 110-8, Ex. R-646; OAO Yuganskneftegaz, Board of Directors Meeting Materials (Feb. 26, 1999), ECF No. 110-7, Ex. R-645.

⁴¹ See 2001 Audit Memorandum on Veteran Managers' Plan and Agreement, *attached to* E-mail from D. Miller to B. Misamore (Aug. 14, 2002), ECF No. 109-8, Ex. R-624; Restated Compensation Agreement between Group Menatep Ltd. and Tempo Finance, Ltd., §§ 1.4, 2.4 (Nov. 1, 2002), ECF No. 109-5, Ex. R-621 ("The Beneficiaries' Fees are set at 15% (fifteen percent) of the Revenue received from the sale of Shares."); Email from Bruce Misamore to Dmitry Gololobov (Nov. 27, 2002), ECF No. 109-6, Ex. R-622 (describing the "Veteran Managers – Compensation Agreement").

shell companies. Many of the share transfers in 1997 and 1998 were potentially unlawful, null, and void, because the Oligarchs never sought or obtained the permission of the Ministry of Antimonopoly Policy for these share transfers, as required under Article 18-1 of Law No. 948-1.

24. These share transfers occurred as follows. First, after the 1995 Investment Tender, Mr. Kobzar, Mr. Koval, and Mr. Zakharov (who were all RTT employees) executed certain transactions that had the effect of moving the 33% block of shares which ZAO Laguna acquired during the Investment Tender to ZAO Tonus—which later was renamed ZAO Yukos-Trust, and then ultimately ZAO Yukos-Universal.⁴² Then, after the Government defaulted on the loan secured by the 45% block of Yukos shares, this block of shares was sold to ZAO Monblan in the 1996 auction. In 1997, all of ZAO Monblan's shares were also transferred to ZAO Tonus (which had by that time been renamed ZAO Yukos-Trust).⁴³

25. From ZAO Tonus (by this point renamed ZAO Yukos-Universal), the Yukos shares were transferred through several offshore entities.⁴⁴ First, the shares were transferred to companies called Virtus, Belz, MQD, and Parton. Virtus and Belz then transferred all of their shares to MQD. MQD and Parton then transferred the shares through two sets of companies. The first set was comprised of companies called Kandall, Hawksmoor, Ebon Crown, Medusa, and Avimore.⁴⁵ In 1998 the share were then transferred to five Cypriot subsidiaries of HEL known as Kincaid, Barion, Temerain, Wandsworth, and Cayard.⁴⁶ In each of these transactions, both the transferee

⁴² See Stock Purchase Agreement No. L/A-1 (Jan. 24, 1996), ECF No. 25-10, Ex. R-10; Stock Purchase Agreement No. L/T-1 (Jan. 24, 1996), ECF No. 11, Ex. R-11; Stock Purchase Agreement No. U-51/97 (May 5, 1997), ECF No. 25-12, Ex. R-12.

⁴³ Tender Committee, Report on the Sale of Shares of Yukos Oil Company (Dec. 24, 1996), ECF No. 27-7, Ex. R-47; Stock Purchase Agreement No. Ts-703 (Dec. 24, 1996), ECF No. 25-14, Ex. R-14; Stock Purchase Agreement No. Y-52/97 (May 5, 1997), ECF No. 25-15, Ex. R-15.

⁴⁴ Yukos Share Registry, Transactions Nos. 6194, 6195, 6200, 6201, 6202, 6203, 6204, 6205, 6206, 6207, 6208, 6209, 6210, 6211, 6212, 6213, 6214, 6215, 6216, 6237, 6238, 6239, 6240, 6241, 6244, 6245, 6248, 6249, 6250, 6251, 6252, 6253, 6254, 6264, 6265, 6266, 6267, ECF Nos. 28-1 – 29-17, Ex. R-55.

⁴⁵ Yukos Share Registry, Transactions Nos. 6194, 6195, 6200, 6201, 6202, 6203, 6204, 6205, 6206, 6207, 6208, 6209, 6210, 6211, 6212, 6213, 6214, 6215, 6216, 6237, 6238, 6239, 6240, 6241, 6244, 6245, 6248, 6249, 6250, 6251, 6252, 6253, 6254, 6264, 6265, 6266, 6267, ECF Nos. 28-1 – 29-17, Ex. R-55.

⁴⁶ Stock Purchase Agreement No. 8 KA-KI/1 (Mar. 24, 1998), ECF No. 25-18, Ex. R-18; Stock Purchase Agreement No. 8 EB-TE/1 (Mar. 24, 1998), ECF No. 25-19, Ex. R-19; Stock Purchase Agreement No. 8 AV-CA/1 (Mar. 24, 1998), ECF No. 25-20, Ex. R-20; Stock Purchase Agreement No. 8 MEWA/1 (Mar. 24, 1998), ECF No. 26-1, Ex. R-21; Stock Purchase Agreement No. 8 NA-VA/1 (Mar. 24, 1998), ECF No. 26-2, Ex. R-22; Commission Agency Agreement No. DK-1012/1 (June 17, 1998), ECF No. 26-3, Ex. R-23.

and the transferor of the shares were companies of which employees of RTT were directors, and those RTT employees were directed by the Oligarchs.

26. In 2000, the five Cypriot subsidiaries of HEL each transferred the Yukos shares they held to HEL.⁴⁷ HEL was owned by YUL, which in turn was owned by GML. GML was owned outright by the Oligarchs, until 2003 when they placed their shares in GML in a number of individual trusts: the Draco Trust (for Mr. Dubov), the Mensa Trust (for Mr. Lebedev), the Auriga Trust (for Mr. Brudno), the Pictor Trust (for Mr. Nevzlin), and the Tucana Trust (for Mr. Shakhnovsky). The Palmus Trust and the Pavo Trust also held GML shares; Mr. Khodorkovsky was initially the beneficiary of these trusts, but in 2005 this interest was transferred to Mr. Nevzlin.⁴⁸ I note that the creation of these trust structures had no practical effect on the ability of the Oligarchs to direct the actions of GML and, therefore, exercise complete control over Yukos. As late as 2011, for example, one of the Oligarchs (Mr. Mikhail Brudno) was actively participating in the management decisions of GML,⁴⁹ as discussed further below in Part V of this witness statement.

27. Importantly, under Article 18-1 of Law No. 948-1 “On Competition and Limitation of Monopolistic Activity in Commodities Markets”, the “acquisition by a person (group of persons) of voting stock (shares) in the authorized capital or capital of an economic entity, giving such person (group of persons) the right to dispose of more than 20 percent of such stock (shares)” is prohibited unless the “person” or “group of persons” acquires “preliminary permission” from the Ministry of Antimonopoly Policy. The Oligarchs’ shell company in Cyprus, HEL, did obtain permission from the Ministry on Antimonopoly Policy on December 17, 1998, after more than one billion Yukos shares had been acquired by HEL’s five Cypriot subsidiaries (including

⁴⁷ See Sale Agreement between Kincaid Enterprises Ltd. and Hulley Enterprises Ltd. (Mar. 9, 2000), ECF No. 26-4, Ex. R-24; Sale Agreement between Temerain Enterprises Ltd. and Hulley Enterprises Ltd. (Mar. 9, 2000), ECF No. 26-5, Ex. R-25; Sale Agreement between Cayard Enterprises Ltd. and Hulley Enterprises Ltd. (Mar. 9, 2000), ECF No. 26-6, Ex. R-26; Sale Agreement between Wandsworth Enterprises Ltd. and Hulley Enterprises Ltd. (Mar. 9, 2000), ECF No. 26-7, Ex. R-27; Sale Agreement between Barion Enterprises Ltd. and Hulley Enterprises Ltd. (Mar. 9, 2000), ECF No. 26-8, Ex. R-28.

⁴⁸ See Denis Skorobogatko & Dmitry Butrin, *The Best Defence Is Non-Ownership*, Kommersant (Jan. 13, 2005), ECF No. 109-13, Ex. R-630 (“Mikhail Khodorkovsky announced yesterday that he had transferred control of his 59.5 percent of the shares in the Gibraltar-based Group MENATEP (YUKOS’s principal shareholder) to Leonid Nevzlin, its other co-owner, who lives in Israel.”).

⁴⁹ See GML Letter (2011), ECF No. 113-4, Ex. R-672.

Kincaid, Barion, Temerain, Wandsworth, and Cayard).⁵⁰ However, the share transfers between 1997 and 1998 (from Tonus to Virtus, Belz, MQD and Parton; and from MQD and Parton to Kandall, Hawksmoor, Ebon Crown, Medusa, and Avimore⁵¹) were never properly approved by the Ministry of Antimonopoly Policy.

28. At the time, the Oligarchs wanted to avoid disclosing these transfers to the Government for approval, so as to reduce the likelihood that questions would be raised regarding the 1995 and 1996 auctions. Accordingly, these share transfers in 1997 and 1998 were split into multiple small blocks, none of which was ever greater than 20% of the total shares of Yukos, supposedly to circumvent the approval requirement under Article 18-1 of Law No. 948-1. However, given that even a “group of persons” having more than 20% of the total Yukos shares is subject to the approval requirement under Law No. 948-1, Yukos executives did not believe that the Government would agree with our interpretation if the transactions in 1997 and 1998 were ever actually discovered and analyzed in their entirety.

29. Moreover, even the final transfers of Yukos shares to HEL from HEL’s five Cypriot subsidiaries were likely illegal, in the sense that sanctions could have been imposed in respect of those transfers, given that the Oligarchs did not comply with the terms of the conditional approvals granted by the Ministry of Antimonopoly Policy with respect to these transactions.⁵² In the official approvals issued on December 17, 1998, the Ministry of Antimonopoly Policy directed HEL and HEL’s Cypriot subsidiaries to provide information on the source of funding for these transactions.⁵³ In accordance with Article 18(4) of Law No. 948-1, any application to the Ministry of Antimonopoly Policy must be rejected if such requested information is not submitted within fixed time limits. However, I understand that the Oligarchs failed to provide this information so as to avoid revealing that the numerous transactions involving transfers of Yukos shares between the Oligarchs’ various shell companies—from ZAO Laguna and ZAO

⁵⁰ Memorandum from Clifford Chance, Doc. No. 1-90646-06, at 4-5 (Undated), ECF No. 109-14, Ex. R-631) *see also* Letters of Approval from the Ministry on Antimonopoly Policy (Dec. 17, 1998), Ex. R-731.

⁵¹ Yukos Share Registry, Transactions Nos. 6194, 6195, 6200, 6201, 6202, 6203, 6204, 6205, 6206, 6207, 6208, 6209, 6210, 6211, 6212, 6213, 6214, 6215, 6216, 6237, 6238, 6239, 6240, 6241, 6244, 6245, 6248, 6249, 6250, 6251, 6252, 6253, 6254, 6264, 6265, 6266, 6267, ECF Nos. 28-1 – 29-17, Ex. R-55.

⁵² Letters of Approval from the Ministry on Antimonopoly Policy (Dec. 17, 1998), Ex. R-731.

⁵³ Letters of Approval from the Ministry on Antimonopoly Policy (Dec. 17, 1998), Ex. R-731.

Monblan through several layers of intermediary companies to, finally, HEL and its five Cypriot subsidiaries—were never financed by actual payments of cash in any instance. The funding for these transactions was always provided by promissory notes or other types of credit extended by Bank Menatep.

III. THE OLIGARCHS' TREATMENT OF CREDITORS AND MINORITY SHAREHOLDERS IN 1998 AND 1999

30. For the first five years that I worked at Yukos, Mr. Khodorkovsky—and the companies associated with him, including Yukos, Bank Menatep, and Rosprom—developed an extremely bad reputation for abusing creditors and minority shareholders. Essentially, as the financial press often acknowledged, Yukos was “a synonym for rotten corporate governance.”⁵⁴ One article noted that “[i]n 1999, Yukos’s reputation among western institutions had sunk from bad to awful.”⁵⁵

31. The reasons for this reputation included a series of well-publicized incidents in 1998 and 1999. The first of these involved the treatment of three non-Russian banks which made substantial loans to Bank Menatep secured by approximately 30% of Yukos, upon which Bank Menatep defaulted. A second incident related to a well-publicized conflict with Mr. Kenneth Dart, who was a minority shareholder in the major oil-producing subsidiaries of Yukos. The third incident related to the insolvency and liquidation of Bank Menatep, which resulted in a transfer of many of Bank Menatep’s assets to Menatep St. Petersburg in order to shield them from creditors—which also involved the destruction of many documents by driving a truck into a tributary of the River Volga. I will briefly describe these incidents, mostly in order to provide context for later events. It was these 1998 and 1999 incidents that ultimately drove Mr. Khodorkovsky and the other Oligarchs to initiate a focused campaign to improve the public reputation of Yukos in 2000. This context will help to explain certain statements made by the Oligarchs in connection with the “Project Voyage” working group, which I discuss below in Part IV.

⁵⁴ Simon Pirani, *Making the Grade for Investment*, Fin. News (Nov. 18, 2002), ECF No. 112-1, Ex. R-659.

⁵⁵ Simon Pirani, *Making the Grade for Investment*, Fin. News (Nov. 18, 2002), ECF No. 112-1, Ex. R-659.

32. In 1997, Bank Menatep had taken loans worth approximately US\$ 236 million from three non-Russian banks—Daiwa Bank of Japan, Standard Bank of South Africa, and Westdeutsche Landesbank of Germany—which had been secured by approximately 30% of the total Yukos shares. In 1998, during the Russian financial crisis, Bank Menatep defaulted on these loans, causing ownership of approximately 30% of Yukos shares to be transferred to the three non-Russian banks.⁵⁶ The three banks thus became reluctant minority shareholders of Yukos.⁵⁷

33. One of my senior colleagues at Yukos who was particularly close to the Oligarchs, Mr. Alexey Golubovich, working with other colleagues, ultimately coerced the three non-Russian banks into selling their Yukos shares back to the Oligarchs at a loss, by threatening to reduce the value of the non-Russian banks' Yukos shareholdings through asset stripping and share dilutions. This is demonstrated in the correspondence exchanged between Mr. Golubovich and Westdeutsche Landesbank in June and July 1999. The foreign banks were told at shareholders' meetings that the Oligarchs would cause Yukos's three most substantial oil-production subsidiaries, OAO Yuganskneftegaz (YNG), OAO Samaraneftgaz (SNG), and OAO Tomskneft (TN), to issue additional shares "to 'friendly' offshore companies," controlled exclusively by the Oligarchs, thus virtually "destroy[ing] the value of [the foreign banks'] shareholding in Yukos."⁵⁸ As the financial press reported at the time, "the main value of Yukos—controlling stakes in [YNG, SNG, and TN, which had] proven reserves that are about two-thirds the size of BP Amoco PLC's—were quietly sold through re-purchase agreements to a string of obscure offshore companies," such that the foreign banks became intimidated into selling their Yukos shares back to the Oligarchs at a loss.⁵⁹ The Oligarchs thus ended up with all of the same Yukos

⁵⁶ Alan Cullison, *Vanishing Act: Share Shuffling Saps Oil Giant Yukos Nearly Dry*, Wall St. J. (July 15, 1999), ECF No. 110-5, Ex. R-643; Alan Cullison, *Yukos Quietly Transfers Oil Assets Out of Russia*, Wall St. J. (June 4, 1999), ECF No. 110-6, Ex. R-644.

⁵⁷ Alan Cullison, *Vanishing Act: Share Shuffling Saps Oil Giant Yukos Nearly Dry*, Wall St. J. (July 15, 1999), ECF No. 110-5, Ex. R-643; Allan Cullison, *Yukos Quietly Transfers Oil Assets Out of Russia*, Wall St. J. (June 4, 1999), ECF No. 110-6, Ex. R-644.

⁵⁸ Letter from H.H. Offen, Vice Chairman, West Deutsche Landesbank, to M. Khodorkovsky (June 24, 1999), ECF No. 110-3, Ex. R-641; Letter from A. Golubovich, Director, Yukos Oil Company, to H.H. Offen, Vice Chairman, West Deutsche Landesbank (July 1, 1999), ECF No. 110-4, Ex. R-642.

⁵⁹ Alan Cullison, *Vanishing Act: Share Shuffling Saps Oil Giant Yukos Nearly Dry*, Wall St. J. (July 15, 1999), ECF No. 110-5, Ex. R-643.

shares that they had originally acquired in 1995 and 1996, including the approximately 30% stake that was temporarily lost to the foreign banks.

34. In 1999, the Oligarchs also had an intense struggle with a U.S. investor named Mr. Kenneth Dart. Mr. Dart had acquired various stakes in Yukos's three oil-production subsidiaries, YNG, SNG, and TN, and thus was entitled to a substantial portion of the profits of Yukos oil-production. The Oligarchs attempted to eliminate Mr. Dart's interests through share dilution during a series of extraordinary meetings of the oil-production subsidiaries' boards of directors in February and March 1999.⁶⁰ This struggle with Mr. Dart concluded with a settlement agreement that was announced publicly in December 1999.⁶¹

35. Finally, after failing to remove itself from financial difficulties, Bank Menatep was declared insolvent and liquidated in 1999. The Oligarchs had prepared a debt-restructuring program, but the Central Bank did not consider it to be adequate—and thus revoked Bank Menatep's banking license in May 1999.⁶² On September 20, 1999, Bank Menatep's creditors voted for liquidation.⁶³ On September 29, 1999, the Moscow Arbitrazh Court formally initiated liquidation of Bank Menatep under the supervision of temporary administrator, Mr. Alexey Karmanov.⁶⁴

36. Notably, Mr. Karmanov was never able to obtain the full records reflecting Bank Menatep's assets and liabilities. Before the liquidation, a considerable number of Bank Menatep's assets had been transferred to a separate banking entity, Menatep St. Petersburg, in

⁶⁰ OAO Yuganskneftegaz Board of Directors Meeting Materials (Feb. 26, 1999), ECF No. 110-7, Ex. R-645; OAO Samaraneftgaz Extraordinary Shareholders Meeting Minutes No. 1 (Mar. 23, 1999), ECF No. 110-8, Ex. R-646; OAO Tomskneft Board of Directors Meeting Minutes (Feb. 25, 1999), ECF No. 110-9, Ex. R-647; Press Release, Misoki Enterprises Limited, Major Russia Assets Are Seized Illegally (Mar. 30, 1999), (ECF No. 111-1, Ex. R-649.

⁶¹ *Dart Sells His Shares in Units of YUKOS*, Reuters (Dec. 20, 1999), ECF No. 111-2, Ex. R-650.

⁶² *Russia Seeks to Liquidate Menatep, Appoints Temporary Bank Adviser*, Wall St. J. (May 20, 1999), ECF No. 111-3, Ex. R-651.

⁶³ Catherine Belton, *Menatep Creditors Vote to Close Bank*, Moscow Times (Sept. 22, 1999), ECF No. 111-4, Ex. R-652; Catherine Belton, *Court Declares Menatep Bankrupt*, Moscow Times (Sept. 30, 1999), ECF No. 113-3, Ex. R-671.

⁶⁴ Catherine Belton, *Menatep Creditors Vote to Close Bank*, Moscow Times (Sept. 22, 1999), ECF No. 111-4, Ex. R-652; Catherine Belton, *Court Declares Menatep Bankrupt*, Moscow Times (Sept. 30, 1999), ECF No. 113-3, Ex. R-671.

order to shield them from Bank Menatep's creditors.⁶⁵ In order to conceal this transfer from the administrator, the Oligarchs destroyed a large portion of Bank Menatep's records by driving a truck into a tributary of the Volga known as the River Dubna.⁶⁶ The driver had set out from Moscow on May 24, 1999, and crashed the car into the river, destroying 607 boxes of documents.⁶⁷ This took place one week after Bank Menatep's banking license was revoked.

37. As reported by the *Kommersant* on May 29, 1999, the driver of the truck claimed to be transporting these documents from Moscow to Novgorod, where the State Archive of the Novgorod Region was waiting to take possession of Bank Menatep's documents during the forthcoming insolvency and liquidation proceedings.⁶⁸ The location of the accident was near the town of Dubna. Had the driver actually been taking the direct route from Moscow to Novgorod (which was the M10 Highway, about one full hour's drive to the southwest of Dubna), then he never would have driven through Dubna at all. Supposedly, the driver had taken this route because he was attempting to avoid traffic—which made little sense, because he was driving at night. The traffic police were also surprised that the driver was able to survive the crash completely unharmed.⁶⁹

38. At some point after this incident, I remember being told by Mikhail Dodonov, an executive at Bank Menatep, that he had arranged the incident in order to destroy these records. Supposedly, most of the documents were carried away by the current, and numerous creditors and clients of Bank Menatep were unable to recover their funds as a result.

39. Bank Menatep's insolvency proceedings continued until 2001. In 1999 and 2000, during the course of Bank Menatep's insolvency and restructuring, representing the legal department of

⁶⁵ Catherine Belton, *Menatep Creditors Vote to Close Bank*, Moscow Times (Sept. 22, 1999), ECF No. 111-4, Ex. R-652; Catherine Belton, *Court Declares Menatep Bankrupt*, Moscow Times (Sept. 30, 1999), ECF No. 113-3, Ex. R-671.

⁶⁶ *Menatep Papers Sink*, Moscow Times (May 28, 1999), ECF No. 111-6, Ex. R-654; *Menatep Documents Rest on the Bottom of the Dubna*, *Kommersant* (May 29, 1999), ECF No. 111-8, Ex. R-656.

⁶⁷ *Menatep Papers Sink*, Moscow Times (May 28, 1999), ECF No. 111-6, Ex. R-654; *Menatep Documents Rest on the Bottom of the Dubna*, *Kommersant* (May 29, 1999), ECF No. 111-8, Ex. R-656.

⁶⁸ *Menatep Documents Rest on the Bottom of the Dubna*, *Kommersant* (May 29, 1999), ECF No. 111-8, Ex. R-656.

⁶⁹ *Menatep Documents Rest on the Bottom of the Dubna*, *Kommersant* (May 29, 1999) ECF No. 111-8, Ex. R-656.

Yukos, I participated in a scheme by which the Oligarchs opportunistically extinguished substantial debt obligations between Yukos, Bank Menatep, and other related parties under various guarantee agreements. This scheme involved using debt obligations owed *to* Bank Menatep by various offshore and domestic shell companies as a means of offsetting the debt obligations owed *by* Bank Menatep to various third-party creditors, which the Oligarchs purchased from the third-party creditors at a substantial discount due to Bank Menatep's extremely distressed circumstances. Among Bank Menatep's rights to payment were the same promissory notes distributed to the shell companies discussed above, including Ebon Crown Ltd., Kandall Ltd., and ZAO Astarta (which by then had been renamed ZAO Flex-Oil) for the purpose of moving the Oligarchs' Yukos shares offshore. The Oligarchs instructed a group of Yukos executives including me to collaborate with executives at two related banks, Menatep St. Petersburg and Trust & Investment Bank, to distribute Bank Menatep's assets and liabilities among these three entities' balance sheets. Pursuant to the Oligarchs' instructions, I participated in a working group to dispose of most of these assets and liabilities through a complex restructuring agreement.⁷⁰

40. As part of my duties for the working group, I supervised preparation of contracts and notices to terminate multimillion-dollar guarantees that Yukos had undertaken with respect to the debt obligations of the Oligarchs' shell companies (mostly the promissory notes owed to Bank Menatep) between 1995 and 1998.⁷¹ Naturally, we were aware that these guarantees would create a significant burden on Yukos if they were not extinguished. The Oligarchs' shell companies—nearly all of which were controlled through RTT employees—would never be able to repay the amounts which Yukos had guaranteed, because these shell companies had no funds of their own whatsoever, or any source of earnings or revenue. Yukos therefore established an additional group of shell companies (including Calend Ltd., Campbellton Ltd., Evander Ltd., and others) for the specific purpose of assuming these rights to payment and then releasing the original debtors from the obligation to pay, thereby relieving Yukos of the obligation to fulfill

⁷⁰ Minutes of Meeting on the Bank Menatep Assets and Liabilities (May 31, 2000), Ex. R-789; Maruev Scheme (Dec. 4, 2000), Ex. R-793.

⁷¹ Table of Yukos Guarantees (Jan. 22, 2001), Ex. R-787; Notices on the Yukos Guarantees, Ex. R-788.

the guarantees.⁷² In early 2001, in accordance with the internal plans agreed to by the working group, these shell companies sent a series of notices terminating the obligations undertaken by Yukos under these guarantees, in accordance with Article 367 of the Civil Code of the Russian Federation.⁷³

41. This scheme culminated with a series of sixteen related-party transactions between Yukos, ZAO Yukos Universal, Trust & Investment Bank, a company called Menatep Asset Management, a wholly owned subsidiary of Yukos called OOO Yukos-Import, and several other related companies. These sixteen related-party transactions were set forth in a scheme devised by the working group, and in particular by Dmitry Maruev, the Deputy Chief Accountant for Yukos, which was provided for my review on December 4, 2000.⁷⁴ This scheme allowed the Oligarchs to sell 89.5 million Yukos shares between related companies “at a price 15%-19% higher than the market price” in exchange for multimillion-dollar promissory notes issued by Yukos itself.⁷⁵ The promissory notes were then sold at a loss to a related entity, and ultimately transferred back to Yukos at par value.⁷⁶ Ultimately, this sixteen-step scheme allowed the Oligarchs to extinguish the last of the debts remaining from the period when Bank Menatep was operational. With respect to this scheme, Yukos falsely informed its auditors at PricewaterhouseCoopers that the 89.5 million Yukos shares had been sold for “the fair value of the shares,”⁷⁷ even though individuals in Yukos internally acknowledged that the sixteen-step scheme had resulted in the shares being sold at substantial mark-up.⁷⁸ As noted in our internal emails, it was not unusual for Yukos to “have hidden the essential aspects of our financial activity from the auditors.”⁷⁹

⁷² Table of Yukos Guarantees (Jan. 22, 2001), Ex. R-787; Notices on the Yukos Guarantees, Ex. R-788.

⁷³ Notices on the Yukos Guarantees, Ex. R-788.

⁷⁴ Maruev Scheme (Dec. 4, 2000), Ex. R-793.

⁷⁵ Maruev Scheme (Dec. 4, 2000), Ex. R-793.

⁷⁶ Maruev Scheme (Dec. 4, 2000), Ex. R-793.

⁷⁷ Yukos Financial Statement (2002), Ex. R-790.

⁷⁸ Maruev Scheme (Dec. 4, 2000), Ex. R-793.

⁷⁹ Minutes of Meeting on the Bank Menatep Assets and Liabilities (May 31, 2000), Ex. R-789.

IV. "PROJECT VOYAGE" AND THE THREAT OF DE-PRIVATIZATION

42. Even though I was already aware of the Oligarchs' illegal activities during the Loans-for-Shares auctions in 1995 and 1996, I became particularly familiar with the details of the "old sins" (*старые грехи*)⁸⁰ in 2002, when I was appointed to a working group for what the Oligarchs called "Project Voyage."⁸¹ This was our code name for the preparation of a registration statement for filing with the U.S. Securities and Exchange Commission (SEC) in connection with a Level 3 American Depositary Receipts (ADR) listing on the New York Stock Exchange.

43. As I stated above, in the aftermath of the 1999 incidents involving the three non-Russian banks, the conflict with Mr. Kenneth Dart, and the scandalous liquidation of Bank Menatep, the Oligarchs' reputation—including the reputation of Mr. Khodorkovsky and Yukos—had become synonymous with "rotten corporate governance."⁸²

44. In approximately 2000, Mr. Khodorkovsky became fixated on reforming his public image and the reputation of Yukos, particularly in the West. On June 3, 2000, Yukos published a document designated as its "Corporate Governance Charter," in which Yukos dramatically "declared its allegiance to international principles of good corporate governance."⁸³ In 2001, Mr. Khodorkovsky also hired APCO, a public relations firm in Washington, D.C., which helped him to secure interviews with the *New York Times* and the *Los Angeles Times*.⁸⁴ The headline in the

⁸⁰ Memorandum from P.N. Malyi to O.V. Sheyko, *MBKh Liability*, attached to Emails from P.N. Malyi to O.V. Sheyko, *Liability in the US* (Mar. 13 and 20, 2003), ECF No. 112-5, Ex. R-663.

⁸¹ See Project Voyage Updated Schedule (ADR Listing) (Aug. 7, 2002), ECF No. 109-2, Ex. R-618; UBS Warburg, Project "Voyage" Working Group List (Nov. 4, 2002), ECF No. 109-3, Ex. R-619.

⁸² Simon Pirani, *Making the Grade for Investment*, Fin. News (Nov. 18, 2002), ECF No. 112-1, Ex. R-659.

⁸³ OAO Yukos, Resolution of the Board of Directors on Good Corporate Governance (June 3, 2000), ECF No. 113-10, Ex. R-678.

⁸⁴ Sabrina Tavemise, *Fortune in Hand, Russian Tries to Polish Image*, N.Y. Times (Aug. 18, 2001), ECF No. 111-7, Ex. R-655; Maura Reynolds, *An "Oligarch's" U-Turn Toward Probity*, (Dec. 26, 2001), ECF No. 111-5, Ex. R-653.

New York Times article expressed the situation quite accurately: “Fortune in Hand, Russian Tries to Polish Image.”⁸⁵

45. A key part of Mr. Khodorkovsky’s plan was to achieve a public listing of Yukos securities in the United States—which he thought would bring Yukos not only liquidity, but prestige. In this regard, Item No. 5 of the Corporate Governance Charter provided as follows: “The company will organize the issuance of ADR level 1 within a year and of level 2 or 3 within 3 years.”⁸⁶ To bring Yukos closer to its ultimate goal of listing ADRs in the United States, Mr. Khodorkovsky hired an American oil executive named Mr. Bruce Misamore as the new Chief Financial Officer (CFO) of Yukos.⁸⁷ Mr. Misamore was a former vice president of Pennzoil, and had also worked as the treasurer of Marathon Oil’s operations in the United Kingdom.⁸⁸

46. With Mr. Misamore’s help, the Oligarchs established the “Project Voyage” working group, to which I was appointed as a key member of Mr. Aleksanyan’s team.⁸⁹ Our mission was to conduct the necessary due diligence for Yukos to issue Level 3 ADRs, which would then be traded on the New York Stock Exchange after the submission of a F-1 Registration Statement to the SEC.⁹⁰ Other members of the working group included the Oligarchs’ advisors from Akin Gump LLP, Clifford Chance LLP, PricewaterhouseCoopers (PwC), and Deutsche Bank.⁹¹

47. I was skeptical regarding this project from the beginning, however, as were Mr. Aleksanyan and our colleagues, Mr. Pavel Malyi and Mr. Oleg Sheyko. We believed that it would be impossible to complete the F-1 Registration Statement to the SEC’s satisfaction—

⁸⁵ Sabrina Tavemise, *Fortune in Hand, Russian Tries to Polish Image*, N.Y. Times (Aug. 18, 2001), ECF No. 111-7, Ex. R-655.

⁸⁶ OAO Yukos, Resolution of the Board of Directors on Good Corporate Governance (June 3, 2000), ECF No. 113-10, Ex. R-678.

⁸⁷ Simon Pirani, *Making the Grade for Investment*, Fin. News (Nov. 18, 2002), ECF No. 112-1, Ex. R-659.

⁸⁸ See Simon Pirani, *Making the Grade for Investment*, Fin. News (Nov. 18, 2002), ECF No. 112-1, Ex. R-659.

⁸⁹ See Project Voyage Updated Schedule (ADR Listing) (Aug. 7, 2002), ECF No. 109-2, Ex. R-618; UBS Warburg, Project “Voyage” Working Group List (Nov. 4, 2002), ECF No. 109-3, Ex. R-619.

⁹⁰ See Project Voyage Updated Schedule (ADR Listing) (Aug. 7, 2002) ECF No. 109-2, Ex. R-618; UBS Warburg, Project “Voyage” Working Group List (Nov. 4, 2002), ECF No. 109-3, Ex. R-619.

⁹¹ Project Voyage Updated Schedule (ADR Listing) (Aug. 7, 2002), ECF No. 109-2, Ex. R-618; UBS Warburg, Project “Voyage” Working Group List (Nov. 4, 2002), ECF No. 109-3, Ex. R-619.

without disclosing too much information regarding illegal activities that the Oligarchs had committed in 1995 and 1996, when they first acquired their Yukos shares. This was expressed in three separate memos circulated internally. The first was sent from my colleague Mr. Malyi to Mr. Sheyko on April 22, 2002.⁹² The second was sent from Mr. Sheyko to Mr. Khodorkovsky on May 14, 2002.⁹³ The third was sent to Mr. Misamore, the American CFO, on August 8, 2002.⁹⁴ All three memos cautioned as follows: “By disclosing the beneficiary holders of the shares and the vehicles they employed to purchase the shares the Company may instigate the revision of privatization results.”⁹⁵ As these memos expressed, the legal risk to Yukos—including the risk that disclosure would draw the Government’s attention to the legal grounds for de-privatizing Yukos, and ascribe all the illegal acts of Yukos to the Oligarchs personally—was simply too great.

48. Based on the totality of the information collected and considered leading up to the implementation of Project Voyage, Mr. Aleksanyan and I strongly advised Mr. Khodorkovsky and the other Oligarchs against revealing the actual ownership structure of Yukos, or the means by which the Oligarchs acquired their Yukos shares. Indeed, as we predicted, the years 2002 and 2003 involved a considerable struggle between the Oligarchs and their Western accountants and lawyers. The Yukos executives tried to give their Western advisors as little information as possible. Over time, however, after the Western advisors had finally obtained a clear picture of the acquisition of Yukos and explained the risks of disclosure, Mr. Khodorkovsky ultimately decided to cancel the listing of Level 3 ADRs.

⁹² Memorandum from P.N. Malyi to O.V. Sheyko, *Risks Associated with the Listing on the NYSE*, at 1-2 (Apr. 22, 2002), attached to Email from P.N. Malyi to O.V. Sheyko (May 14, 2002), ECF No. 27-12, Ex. R-52.

⁹³ Memorandum from O.V. Sheyko to M.B. Khodorkovsky, *Risks Related to Listing Securities on the NYSE*, attached to Email from O.V. Sheyko to M.B. Khodorkovsky (May 14, 2002), ECF No. 112-6, Ex. R-664.

⁹⁴ Email to B. Misamore (Aug. 8, 2002), attaching Business Proposal, *Project Voyage*, ECF No. 109-4, Ex. R-620.

⁹⁵ Email to B. Misamore (Aug. 8, 2002), attaching Business Proposal, *Project Voyage*, ECF No. 109-4, Ex. R-620 (“By disclosing the beneficiary holders of the shares and the vehicles they employed to purchase the shares the Company may instigate the revision of privatization results.”); Memorandum from O.V. Sheyko to M.B. Khodorkovsky, *Risks Related to Listing Securities on the NYSE*, attached to Email from O.V. Sheyko to M.B. Khodorkovsky (May 14, 2002), ECF No. 112-6, Ex. R-664 (“By disclosing the identities of the beneficial holders of its shares as well as information to how they acquired their shares, the Company may have triggered an attempt to review privatization.”); Memorandum from P.N. Malyi to Oleg Sheyko, *Risks Related to Listing Securities on the NYSE*, at 1-2 (Apr. 22, 2002), attached to Email from P.N. Malyi to O.V. Sheyko (May 14, 2002), ECF No. 27-12, Ex. R-52 (“Privatization: By disclosing the beneficiary holders of its shares and how they acquired them the Company may trigger the attempts for the revision of the entire privatization.”).

49. For example, the Oligarchs initially refused to tell our legal advisors at Akin Gump and Clifford Chance that they had obtained their Yukos shares during the Loans-for-Shares auctions in 1995 and 1996. Mr. Malyi recounted this in a memo to Mr. Sheyko on July 30, 2002:

Shareholders: Akin Gump and Cleary requested from the IFA lawyers (Clifford and Anton Drel) all of the supporting documentation pertaining to the Gibraltar and other structures including how these structures acquired the Company's shares. So far they have not been satisfied with the answer. P. L. Lebedev's position, namely: "I bought the shares on the market from independent parties, for instance from Daiva and Standard Bank," does not satisfy anyone. The lawyers need to form a picture from the loans-for-shares auctions, Laguna and so forth. Clifford and Drel explain that they cannot solve this problem without P. L. Lebedev, who is currently on vacation.⁹⁶

50. As this memo expressed, one of the Oligarchs—Mr. Platon L. Lebedev—was attempting to persuade our Western advisors that their Gibraltar-based holding company, GML, had obtained all of the Oligarchs' Yukos shares from the non-Russian banks (Daiwa, Standard Bank, and Westdeutsche Landesbank) or other "independent" sellers on "the secondary market."⁹⁷ This was certainly not true, nor was it accepted by our Western lawyers as believable.

51. The Oligarchs did ultimately reveal to our advisors that their Yukos shares had originated with the 1995 and 1996 auctions. The "Project Voyage" working group's task then became an effort to write disclosures that would satisfy the requirements of a Level 3 ADR issuance, without revealing the fact that the Oligarchs' conduct had, in my view, been illegal. Our draft F-1 registration statement thus explained that the winner of the 1995 auction had been "CJSC Laguna, a Russian entity affiliated with companies jointly controlled by the current shareholders of Group MENATEP and others," whereas the winner of the 1996 auction had been "CJSC Montblanc, another affiliate of companies jointly controlled by the current shareholders of Group MENATEP and others".⁹⁸ It was not revealed in the draft F-1, of course, that the only other actual participants permitted to compete in these auctions, ZAO Reagent and

⁹⁶ Letter from P.N. Malyi to O.V. Sheyko, , *IPO Status Report 30 July*, attached to E-mail from P.N. Malyi to O.V. Sheyko (July 30, 2002), ECF No. 112-2, Ex. R-660.

⁹⁷ Letter from P.N. Malyi to O.V. Sheyko, *IPO Status Report 30 July*, attached to E-mail from P.N. Malyi to O.V. Sheyko (July 30, 2002), ECF No. 112-2, Ex. R-660.

⁹⁸ Yukos Oil Company, Draft Registration Statement (Form F-1), at 78 (Mar. 19, 2003), ECF No. 109-12, Ex. R-629.

OA Moscow Food Factory, had also been controlled by the Oligarchs. Prospective investors in the ADRs were simply warned: “Successful challenges to our privatization could lead to the loss or diminution of your investment in our AD[R]s or ordinary shares.”⁹⁹

52. We also had difficulties relating to the Oligarchs’ agreement to pay exorbitant amounts in compensation to Mr. Muravlenko and the other former Government-appointed managers of Yukos. As I explained above in Part I of my witness statement, the Oligarchs had promised to give Mr. Muravlenko and his fellow Government-appointed managers of Yukos, Mr. Kazakov, Mr. Ivanenko, and Mr. Golubev, 15% of the proceeds after the Oligarchs finally sold their Yukos shares—which would have been several billion U.S. dollars and was expected to happen by 2007—in exchange for their help in gaining control of Yukos during the privatization. It was a considerable struggle for Mr. Khodorkovsky and Mr. Lebedev to decide how exactly to characterize such an enormous promise of payment in a manner that would satisfy the lead accountant at PwC, an American named Mr. Doug Miller.

53. As Mr. Khodorkovsky and Mr. Lebedev confirmed to Mr. Doug Miller during the course of our due diligence, “[t]he decision to provide this benefit was discussed and agreed in principle during the period of YUKOS’ privatisation, in 1995 and 1996, *prior* to the core shareholders’ winning of the privatisation tender”.¹⁰⁰ In other words, the Oligarchs had made promises to make improper payments to these four men when they were still Government-appointed or Government-employed managers, and were charged with overseeing a publicly-owned enterprise. The draft F-1 merely stated that these four individuals were “contractually entitled to receive benefits from Group MENATEP for their past participation in creating and increasing the capitalization and investment attractiveness of our company.”¹⁰¹ The draft F-1 did not explain, of course, that this payment of several billion U.S. dollars constituted an illegal payment in exchange for Mr. Muravlenko’s support during the Loans-for-Shares auction.

⁹⁹ Yukos Oil Company, Draft Registration Statement (Form F-1), at 31, 32 (Mar. 19, 2003), ECF No. 109-12, Ex. R-629.

¹⁰⁰ See 2001 Audit Memorandum on Veteran Managers’ Plan and Agreement, at 2, *attached to* Email from D. Miller to B. Misamore (Aug. 14, 2002), ECF No. 109-8, Ex. R-624 (emphasis in original); Email from A. Dontsov and M. Tamaev, Clifford Chance, *Compensation Agreement Issues – Conference Call of September 19, 2002*, ECF No. 116-9, Ex. R-711.

¹⁰¹ Yukos Oil Company, Draft Registration Statement (Form F-1) (Mar. 19, 2003), *attached to* Email from F. Saratovsky, ECF No. 109-12, Ex. R-629.

54. One more major question to be addressed by the Oligarchs during the drafting of the F-1 was the question of the 1997 and 1998 share transfers between the Oligarchs' shell companies, which had never been approved by the Ministry of Anti-Monopoly Policy. It was my view, as well as that of my supervisor, Mr. Aleksanyan, that even these limited disclosures were dangerous to Yukos and the Oligarchs. We therefore provided as little information as possible even to our lawyers and accountants. For example, we told Clifford Chance Pünder that "in the period from 1996 to 2000, the shares circulated actively on the secondary securities market," before HEL, YUL, and VPL "gained control" of these shares in 2000.¹⁰² In reality, rather than "circulat[ing] actively on the secondary securities market,"¹⁰³ each step in the chain of transactions had been ordered by the Oligarchs, carefully structured by the legal and finance departments at Yukos and Bank Menatep, and implemented by the RTT employees who controlled the individual shell companies.

55. In our draft F-1, therefore, the Project Voyage Working Group included two disclosures relating to the post-privatization transactions in 1997 and 1998, while attempting to reveal as little as possible about their true nature. First, we warned investors that "[i]f the Ministry of Antimonopoly Policy and Support of Entrepreneurial Activity were to conclude that we acquired or created a new company or acquired shares or assets in contravention of antimonopoly legislation, it could impose administrative sanctions and require the divestiture of the company or other assets, adversely affecting our acquisition strategy and our results of operations."¹⁰⁴ Second, we stated:

Successful challenges to transfers of our ordinary shares that occurred after our privatization could lead to the loss or diminution of your investment in our AD[R]s or ordinary shares. A number of transfers of ordinary shares of our company, including those being sold in this offering, occurred after our company was privatized. It is possible that some of these transfers were made in violation of Russian law.¹⁰⁵

¹⁰² Memorandum from Clifford Chance, Doc. No. 1-90646-06, at 4 (Undated), ECF No. 109-14, Ex. R-631.

¹⁰³ Memorandum from Clifford Chance, Doc No. Memo 1-90646-06, at 4 (Undated), ECF No. 109-14, Ex. R-631.

¹⁰⁴ Yukos Oil Company, Draft Registration Statement (Form F-1), at 31 (Mar. 19, 2003), ECF No. 109-12, Ex. R-629.

¹⁰⁵ Yukos Oil Company, Draft Registration Statement (Form F-1), at 32 (Mar. 19, 2003), ECF No. 109-12, Ex. R-629.

56. I note, finally, that we suspended Project Voyage in 2003 and indefinitely postponed the filing of the F-1 registration for the Level 3 ADRs. The only ADRs traded for Yukos, therefore, are the Level 1 ADRs issued in 2001 under an F-6 registration statement, which contained far less detailed disclosures and made no reference to the Oligarchs' activities in 1995 and 1996.¹⁰⁶ The difference between the two "levels" of ADRs was essentially that, without filing the F-1 and completing the full Level 3 process, we could not directly raise capital in the United States or circulate our ADRs on the New York Stock Exchange. Our Level 1 ADRs could only be bought and sold on the Over-the-Counter Market in the United States.

57. The reason given publicly by Mr. Khodorkovsky for suspending the listing of Level 3 ADRs was that the proposed merger with Sibneft had complicated our operational circumstances, and that this proposed merger would "push back Yukos' listing on the New York stock exchange from later this year into 2004."¹⁰⁷ This was a convenient pretext, however. Secretly, as Mr. Khodorkovsky revealed to my colleague, Mr. Sheyko, in an email on February 20, 2003, the real reason for suspending Project Voyage was the legal risk. As he explained, "[i]f the lawyers do not confirm to me that my personal risks are limited by a reasonable period of time, I will not sign the form [F-1] I warned about this."¹⁰⁸ In the same email, Mr. Khodorkovsky emphasized that the source of his fear was "the American hook," by which he meant the possibility of prosecution in the United States.¹⁰⁹ Shortly thereafter, on March 13, 2003, Mr. Malyi and Mr. Sheyko circulated a memorandum entitled, "MBKh Liability," and another memorandum entitled, "Yukos Memo re Directors and Officers Liability," which explained in detail the criminal and civil penalties to which the Oligarchs could be subjected in

¹⁰⁶ Yukos Oil Company, Registration Statement (Form F-6) (Amended Mar. 17, 2003), ECF No. 109-20, Ex. R-637; EDGAR, Search Results for YUKOS OIL CO CIK# 0001223005, U.S. Securities and Exchange Commission, ECF No. 109-15, Ex. R-632.

¹⁰⁷ See Andrew Jack, *Yukos And Sibneft To Create Global Oil Group*, in 13(2) Yukos Rev. (Yukos Oil Co.) Apr.-June 2003, at 79, ECF No. 109-16, Ex. R-633.

¹⁰⁸ Email from M.B. Khodorkovsky to O.V. Sheyko, *Suspension of Voyage* (Feb. 20, 2003), ECF No. 109-11, Ex. R-628.

¹⁰⁹ Email from M.B. Khodorkovsky to O.V. Sheyko, *Suspension of Voyage* (Feb. 20, 2003), ECF No. 109-11, Ex. R-628.

the United States.¹¹⁰ Very shortly, thereafter, the Oligarchs discontinued the plans for listing Level 3 ADRs.

58. I do not know whether Mr. Khodorkovsky really intended to revisit the idea of listing Level 3 ADRs in 2004, after the Sibneft merger, or at any point after the suspension of Project Voyage in early 2003. Upon learning that we would not file the F-1, however, I thought it was the correct decision based on the substantial number of acts I considered to be illegal in which Yukos was implicated and the high risk of de-privatization. In my view, there was simply no reasonable way of justifying to the Government and the Russian public, among other things, the promises to pay Mr. Muravlenko and his associates potentially billions of U.S. dollars for services performed while they were still Government appointees and employees in connection with their oversight over the Investment Tender and Investment Program, the collusive bidding used to win the 1995 and 1996 Loans-for-Shares auctions, and the failure to obtain approval from the Ministry of Antimonopoly Policy for the secret transfers of Yukos shares between 1997 and 1998.

V. THE SHIELDING OF YUKOS ASSETS IN TWO DUTCH STICHTINGS

59. In 2003, Yukos became the subject of a series of criminal investigations relating to tax evasion. Mr. Lebedev was arrested in July 2003, and Mr. Khodorkovsky was later arrested in October 2003. They were both convicted of tax evasion and other offences in May 2005. The European Court of Human Rights ultimately concluded in two separate judgments in 2011 and 2013 that the Oligarchs had indeed used Russian and foreign shell companies to evade billions of U.S. dollars in taxes that Yukos would otherwise have been obliged to pay.

60. The Russian tax authorities began to seize Yukos assets in 2004, in order to satisfy the unpaid tax debts which Yukos had accrued. A formal bankruptcy proceeding was initiated in 2006.

¹¹⁰ Memorandum from P.N. Malvi to O.V. Sheyko, *MBKh Liability*, attached to Emails from P.N. Malvi to O.V. Sheyko, *Liability in the US* (Mar. 20, 2003), ECF No. 112-5, Ex. R-663.

61. Rather than complying voluntarily with the Russian tax authorities' attempts to satisfy the tax liabilities, Yukos executives made efforts to create obstacles. For example, upon management instructions, it was proposed in a letter dated August 6, 2004, which was signed by me (as I was the head of the legal department at the time), that the tax authorities should seize and liquidate the 34.5% stake in OAO Sibneft ("Sibneft") owned by Yukos as a means of repaying its unsatisfied tax liabilities.¹¹¹ I realized and expected that this would not ultimately be an acceptable offer (I even informed the Yukos management of this), however, given that the Sibneft shares owned by Yukos were encumbered by a dispute over ownership—specifically, Sibneft itself was disputing Yukos's ownership over these Sibneft shares in the course of attempting to unwind the half-completed merger agreement between the two companies. The tax authorities naturally declined our offer to accept the disputed Sibneft shares in satisfaction of the tax liabilities of Yukos, as we expected they would.

62. Another significant decision by the Yukos managers—including Mr. Misamore, and the three other American executives named Mr. Steven Theede, Mr. David Godfrey, and Mr. Daniel Feldman—was to move certain Yukos assets outside of the reach of Russian tax authorities. This operation involved the creation of two Dutch foundations known as *stichtings* in 2005. Mr. Misamore, Mr. Theede, and Mr. Godfrey then named themselves as the directors of these *stichtings*, and transferred Yukos assets worth billions of U.S. dollars into the *stichtings*. In particular, these assets included a 53.7% stake in a Lithuanian company, Mazeikiu Nafta, which owned valuable refineries, pipeline networks, and crude oil terminals on the Baltic Sea, which we had acquired in 2002.¹¹² These assets also included a group of engineering and construction companies called John Brown Hydrocarbons and Davy Process Technology, which were based in London, and a 49% stake in Slovakian oil pipeline company, Transpetrol.¹¹³ These assets had been acquired in 2001 and 2002, respectively.¹¹⁴

¹¹¹ Letter from D. Gololobov to A.T. Melnikov, Chief Bailiff (Aug. 6, 2004), Ex. R-794; Letter from Sazanov, Deputy Head of the Bailiffs Department, to D. Gololobov (Sept. 9, 2004), Ex. R-795.

¹¹² Yukos Oil Co., 2002 Annual Report, at 75-76 (2003), ECF No. 113-9, Ex. R-677.

¹¹³ Yukos Oil Co., 2002 Annual Report, at 77 (2003), ECF No. 113-9, Ex. R-677.

¹¹⁴ Yukos Oil Co., 2002 Annual Report, at 77 (2003), ECF No. 113-9, Ex. R-677.

63. The assets transferred to the *stichtings* also included a company called Brittany Assets Ltd., registered in the British Virgin Islands, which in turn held numerous shell companies used by the Oligarchs to engage in tax evasion through a transfer-pricing scheme involving the sales of Yukos oil.¹¹⁵ Among these numerous entities were companies called Fargoil, Ratibor, and Evoil,¹¹⁶ which were discussed in the judgments of the European Court of Human Rights.¹¹⁷ As those judgments concluded, the transfer-pricing arrangement involving these companies was “obviously aimed at evading the general requirements of the Tax Code, which expected taxpayers to trade at market prices.”¹¹⁸ When the *stichtings* assumed title to Brittany Assets Ltd. and its subsidiaries, therefore, this enabled the Oligarchs and the Yukos managers to retain control over billions of U.S. dollars constituting the proceeds of tax evasion. I am not able to say precisely how much cash would have been retained within this structure, but it may have been as much as US\$ 7 billion.

64. I left the Russian Federation and moved to England in September 2004—I therefore had no personal involvement in the Yukos managers’ efforts to move Yukos assets into the *stichtings* to protect them from the Russian tax authorities, which evidently began in 2005. From public press reports, however, I have watched as Mr. Misamore, Mr. Theede, and Mr. Godfrey have slowly liquidated these assets. As the *Washington Post* reported in 2006, “Yukos is essentially two companies now: Its Russian assets are under the control of a Moscow court [which had placed Yukos in bankruptcy], and its foreign assets are held by the Dutch foundation[s], which [are] planning to sell them off to pay creditors.”¹¹⁹ In this regard, the Yukos executives

¹¹⁵ See Letter from PricewaterhouseCoopers (Apr. 10, 2003), Ex. R-791; Email from C. Santis to D. Miller (Feb. 14, 2005), Ex. R-792.

¹¹⁶ See Letter from PricewaterhouseCoopers (Apr. 10, 2003), Ex. R-791; Email from C. Santis to D. Miller (Feb. 14, 2005), Ex. R-792.

¹¹⁷ *OAO Neftyanaya Kompaniya Yukos v. Russia* (dec.), No. 14902/04, Sept. 20, 2011 (Eur. Ct. H.R.).

¹¹⁸ *OAO Neftyanaya Kompaniya Yukos v. Russia* (dec.), No. 14902/04 ¶ 591, Sept. 20, 2011 (Eur. Ct. H.R.); *Khodorkovskiy and Lebedev v. Russia* (dec.), Nos. 11082/06, 13772/05 ¶ 786, July 25, 2013 (Eur. Ct. H.R.).

¹¹⁹ Peter Finn, *Ex-Yukos Executive Calls Russian Probe “Retaliation”*, Wash. Post (Aug. 23, 2006), ECF No. 112-10, Ex. R-668.

reportedly liquidated their stakes in Mazeikiu Nafta in 2006,¹²⁰ and their stakes in Transpetrol in 2009.¹²¹

65. In October 2015, I was very interested to learn that, in the course of a lawsuit that erupted amongst the Yukos managers, Mr. Daniel Feldman leaked a number of written minutes created by the two *stichtings* from 2008 until 2011. These minutes showed me how the proceeds of the sales from Mazeikiu Nafta and Transpetrol have been used. Evidently, these proceeds have largely been distributed by the *stichtings* to the Oligarchs, rather than being used to satisfy the claims of any other creditors or shareholders of Yukos.

66. The most remarkable aspect of these minutes is the fact that one of the *stichtings'* directors was Mr. Tim Osborne, who was also the head of the Oligarchs' shell company in Gibraltar, GML. As he explained in the March 18, 2008 minutes of Stichting Administratiekantoor Yukos International, he "joined the Foundation as the Moravel (e.g., creditor) representative."¹²² This is in reference to a related-party debt owed by Yukos to GML's wholly-owned subsidiary, Moravel Investments Ltd, under a loan worth US\$ 1.6 billion.¹²³ Notably, no other creditors' representatives were included on the board of directors of either *stichting*, at least according to the leaked minutes. As explained in the March 18, 2008 minutes, the directors of the *stichtings* ratified a payment of "Yukos Oil Company's debt to Moravel."¹²⁴ At a subsequent meeting of the directors of the *stichting* on December 11, 2008, Mr. David Godfrey noted that the *stichtings* had "voluntarily repaid GML US\$ 850 million,"¹²⁵ which would necessarily have gone directly to the benefit of the Oligarchs. There is no suggestion that any other creditors of Yukos ever received any part of these proceeds. For example, the Yukos

¹²⁰ Peter Finn, *Ex-Yukos Executive Calls Russian Probe "Retaliation"*, Wash. Post (Aug. 23, 2006), ECF No. 112-10, Ex. R-668.

¹²¹ *Slovakia buys back oil pipeline firm Transpetrol*, Reuters (Mar. 26, 2009), ECF No. 113-1, Ex. R-669; Balgová Beata, *Transpetrol shares return To Slovakia*, Slovak Spectator (Apr. 6, 2009), ECF No. 114-5, Ex. R-683.

¹²² Stichting Administratiekantoor Yukos International, Board of Director Meeting Minutes, § 2.6 (Mar. 18, 2008), ECF No. 114-1, Ex. R-679.

¹²³ Ben James, *Dutch Ruling Hands Yukos Creditor Moravel \$848M*, Law360 (Mar. 27, 2008), ECF No. 113-2, Ex. R-670.

¹²⁴ Stichting Administratiekantoor Yukos International, Board of Director Meeting Minutes, § 2.2 (Mar. 18, 2008), ECF No. 114-1, Ex. R-679.

¹²⁵ Stichting Administratiekantoor Financial Performance Holding, Board of Director Meeting Minutes, § 2.2 (Dec. 11, 2008), ECF No. 114-3, Ex. R-681.

managers behind the *stichtings* did not repay the US\$ 472.8 million owed by Yukos to BNP Paribas and other western banks, even after litigation in the English and Dutch courts.¹²⁶

67. In addition to the preferential treatment given to the Oligarchs by repaying GML (through Moravel) prior to the repayment of any other creditors, other significant documents were leaked by Mr. Daniel Feldman which also demonstrated that the Oligarchs continue to participate in the management of the *stichtings* and the former assets of Yukos, which were primarily controlled by Mr. Misamore and other Yukos executives. One of these documents is a letter sent from Mr. Osborne to Mr. Misamore in 2011, which both parties to the litigation (*i.e.*, both Mr. Feldman and the *stichtings*' lawyers) describe as "the GML Letter."¹²⁷

68. In this letter, Mr. Osborne explains that

"GML will make available as a bonus pool ('Pool') 10% of all amounts it receives from Yukos Finance and Stichting Administratiekantoor Yukos International. For the avoidance of doubt, I confirm that the Pool will include monies received via Veteran to the extent that they are distributed to GML via Yukos Universal Ltd. and not retained in Veteran for Veteran's [illegible] purposes."¹²⁸

Mr. Osborne further states as follows: "we believe that the Pool should be divided 32.5% to you [Bruce Misamore], 32.5% to Dave [Godfrey], 20% to Steve [Theede], 7.5% to Michel [de Guillenschmidt], and 7.5% to Marc [Fleischman]."¹²⁹ As context, Mr. Osborne reminds Mr. Misamore that these arrangements should be made pursuant to the "various discussions with Michael Brudno and me."¹³⁰ More recently, in another email leaked in relation to litigation involving the *stichtings*, Mr. Leonid Nevzlin and his assistant, Mr. Eric Wolf, appear to have been copied on correspondence relating to negotiations over the disposition of the *stichting*

¹²⁶ Rb. Amsterdam [First Instance Court] 29 September 2005, 320964/ H05-0568 (NM) (*BNP Paribas S.A. et al./ OAO Yukos Oil Company et al.*), ECF No. 113-7, Ex. R-675; *BNP Paribas v. Yukos Oil Company*, [2005] EWHC 1321 (Ch), ECF No. 113-8, Ex. R-676.

¹²⁷ Pls.' Am. Compl. ¶ 74-75, *Yukos Capital Sarl v. Feldman*, Case No. 15-4964-LAK (S.D.N.Y. Mar. 15, 2016), ECF No. 113-5, Ex. R-673; Def.'s Answer to Am. Compl. ¶ 75, *Yukos Capital Sarl v. Feldman*, Case No. 15-4964-LAK (S.D.N.Y. Mar. 24, 2016), ECF No. 113-6, Ex. R-674.

¹²⁸ GML Letter (2011), ECF No. 113-4, Ex. R-672.

¹²⁹ GML Letter (2011), ECF No. 113-4, Ex. R-672.

¹³⁰ GML Letter (2011), ECF No. 113-4, Ex. R-672 (emphasis added).

assets.¹³¹ Rather than working through the Guernsey trustees, who supposedly own and control GML on his behalf, Mr. Nevzlin thus appears to be intervening directly in the management of GML.¹³²

69. This correspondence, which has all become publicly available after being filed with the federal courts in the United States, thus confirms that both Mr. Mikhail Brudno and Mr. Leonid Nevzlin, and presumably the other Oligarchs, continue to participate directly in managing the affairs of GML. Assisted by Mr. Osborne, the Oligarchs also continue to make arrangements with Mr. Misamore, Mr. Godfrey, and the other Yukos managers to ensure that the Oligarchs benefit from the liquidation of the remaining Yukos assets held by the *stichtings*.

70. I am aware that the minority shareholders are challenging these distribution schemes.

VI. MY EXCHANGES WITH MR. KHODORKOVSKY IN THE PRESS

71. Since 2010, I have had two public disagreements with Mr. Khodorkovsky, which we aired in published interviews and articles. The first of these disagreements occurred in 2010, and related to whether or not Yukos lawyers had actually told Mr. Khodorkovsky that all of the Oligarchs' schemes complied with law. The second disagreement occurred in 2016, and related to whether the Loans-for-Shares auction for Yukos shares was actually illegal. The statements that I make in this witness statement reflect those I have made publicly and which I cite below.

72. The first disagreement related to the numerous legal opinions that Mr. Aleksanyan and I prepared for Yukos during our service to the company. Until 2003, the files maintained by Mr. Aleksanyan and I, as well as those maintained by the administrative and other departments to which we gave advice, contained hundreds of legal opinions on a wide diversity of topics, which the Oligarchs had directed us to prepare over the years. During the period that I worked for

¹³¹ Email from E. Wolf to R. Andelman, *Settlement Discussions* (Sept. 17, 2015), ECF No. 116-10, Ex. R-712 (forwarding Email dated Aug. 28, 2015 from E. Wolf to A. Federman copying L. Nevzlin); Email from E. Wolf to D. Godfrey (Aug. 28, 2015), ECF No. 117-1, Ex. R-713 (forwarding string of emails and copying T. Osborne).

¹³² Email from Eric Wolf to R. Andelman, *Settlement Discussions* (Sept. 17, 2015), ECF No. 116-10, Ex. R-712 (forwarding Email dated Aug. 28, 2015 from E. Wolf to A. Federman copying L. Nevzlin),); Email from E. Wolf to D. Godfrey (Aug. 28, 2015), ECF No. 117-1, Ex. R-713 (forwarding string of emails and copying T. Osborne).

Yukos, Mr. Khodorkovsky developed a consistent practice of requesting legal opinions regarding most of the complicated transactions employed in connection with the avoidance of tax obligations, share dilutions, and other aggressive investment strategies. In each of my opinions, I was careful to include disclaimers and warnings regarding the legal implications and potential criminal consequences associated with the Oligarchs' investment strategies. A standard disclaimer said that "official tax treatment of aggressive optimization schemes is inconstant and may occasionally change due to policy change." Mr. Khodorkovsky's policy was that we should never advise against taking a particular action, but rather indicate the legal risks associated with an action, leaving the assessment of those risks to the managers. As just one example, in the 2000 memorandum I drafted for Mr. Aleksanyan regarding remuneration of employees through subsidiaries based in Cyprus, I warned that "civil law and tax risks . . . are systemic and unavoidable upon implementation of any [such] schemes."¹³³

73. In August 2010, while still in prison, Mr. Khodorkovsky gave an interview to the German weekly news magazine, *Der Spiegel*, in which he essentially tried to excuse all his criminal guilt for tax evasion by blaming ambiguities in the law, and suggesting that his legal consultants at Yukos and retained counsel had unequivocally endorsed his tax strategies at the time.¹³⁴ He implied that he had done nothing wrong, and that the Government had prosecuted him based on legal theories which nobody could have anticipated.

74. Later that month, in an article for *Vedomosti*, Ms. Svetlana Bakhmina and I strongly disputed Mr. Khodorkovsky's revisionist history. As my article explained, both the in-house legal consultants at Yukos and retained counsel had always advised the Oligarchs that legitimate tax-optimization strategies "must have a real economic purpose and must be carried out within the framework of normal business activities, and must not be artificially 'crafted' for the optimization of taxes."¹³⁵ The Oligarchs' offshore and onshore tax-optimization schemes usually

¹³³ See Memorandum from V.G. Aleksanyan to M.B. Khodorkovsky, *Methods for Remuneration of the Company's Employees*, at 5 (Mar. 3, 2000), attached to Email from D. Gololobov to A. Valentinovich, (Apr. 14, 2000), ECF No. 109-17, Ex. R-634.

¹³⁴ Christian Neef & Matthias Schepp, *Interview with Mikhail Khodorkovsky*, *Spiegel Online* (Aug. 9, 2010), ECF No. 109-18, Ex. R-635.

¹³⁵ Dmitry Gololobov & Svetlana Bakhmina, *Statutory Act and the Law: Oligarchs and Lawyers*, *Vedomosti* (Aug. 19, 2010), ECF No. 109-19, Ex. R-636 ("[П]одобные схемы должны были иметь под собой реальную

lacked any economic substance whatsoever, which created obvious legal risks, and Mr. Khodorkovsky had been advised accordingly. Although my *Vedomosti* article specifically concerned tax optimization, similar risks were implicated by many of the sham transactions employed by the Oligarchs. I thus continue to resent Mr. Khodorkovsky's attempt to avoid all blame for his prosecution by suggesting that his legal consultants and outside counsel had always approved his schemes. In fact, we had described the risks in detail, and he chose to accept them.

75. Of the numerous legal opinions that Mr. Aleksanyan and I produced over the years, very few remain. This is because, shortly after Mr. Khodorkovsky was arrested in October 2003, we were ordered by the Oligarchs to shred our legal opinions, as well as countless other documents. This shredding process lasted for several weeks, and involved many Yukos employees. The documents destroyed were those held by the legal department, and by other departments that we had advised. The electronic system was also cleaned, including removing and replacing all hard drives. A policy was then put in place requiring periodic destruction of numerous categories of documents, including our legal opinions. No such policy had existed prior to 2003. These policies were followed until I left Yukos at the end of 2004.

76. The second disagreement that I had with Mr. Khodorkovsky occurred in March 2016, two years after he was released from prison. On March 26, 2016, Mr. Khodorkovsky stated on his Facebook page that the Loans-for-Shares auction for Yukos shares was "unfair" but actually complied with "the laws existing at the time," because other Oligarchs' syndicates had also used essentially identical means to obtain assets from the Government of the Russian Federation in 1995 and 1996.¹³⁶ I responded two days later in an article published with *Russian Business Consulting* (www.rbc.ru), in which I strongly disagreed with Mr. Khodorkovsky's suggestion that what the Oligarchs did was lawful. As I noted, Mr. Khodorkovsky's "mantra [that] 'everything was in accordance with the law' should have effect only on those who already have no desire to see into the subject matter."¹³⁷ Indeed, if what the Oligarchs did was lawful, then why

хозяйственную цель и осуществляться исключительно в рамках нормальной хозяйственной деятельности, а не в качестве самостоятельного «промысла» по оптимизации налогов.").

¹³⁶ Post from Mikhail Khodorkovsky, Facebook (Mar. 26, 2016, 8:13 AM), ECF No. 111-10, Ex. R-658.

¹³⁷ Dmitry Gololobov, *General Obvious: Did Khodorkovsky steal YUKOS?*, www.RBC.com (Mar. 28, 2016), ECF No. 112-9, Ex. R-667.

did Mr. Kagalovsky tell reporters in 1996 that “[t]here is no connection between Monblan and Menatep. They are different organizations”?¹³⁸ Why were the Oligarchs afraid of disclosing the truth to the public? And why did Mr. Lebedev tell the lawyers at Akin Gump and Clifford Chance in 2002 that the Oligarchs had acquired their Yukos shares exclusively “from independent parties, for instance from Daiwa and Standard Bank”?¹³⁹ Why would a person who had acted legally be afraid of telling the truth to his own lawyers? And what was the purpose of the enormous payments through offshore shell companies to the Government-appointed managers of Yukos—Mr. Muravlenko, Mr. Kazakov, Mr. Ivanenko, and Mr. Golubev—who had helped the Oligarchs to win the Investment Tender while circumventing the investment obligations? As one of the lawyers for Clifford Chance stated during Project Voyage: “No one gives away \$1B without a reason, not even someone who already has \$8B.”¹⁴⁰

77. As for Mr. Khodorkovsky’s suggestion that his actions were acceptable, because other Oligarchs also used fraud and corruption to obtain their fortunes in the 1990s, this makes no sense whatsoever. As I stated in my article for *Russian Business Consulting*: “[t]his assertion . . . cannot withstand even the slightest legal criticism, since it follows from it that no one should be imprisoned even for murder, since hardly more than one murderer out of three is caught.”¹⁴¹

78. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on the 26th day of July 2016, in London, United Kingdom.



DMITRY GOLOLOBOV

¹³⁸ Sergey Lukianov, “Managed” Yukos Sale Fetches \$160M, Moscow Times (Dec. 24, 1996), ECF No. 109-1, Ex. R-617.

¹³⁹ Letter from P.N. Malyi to O.V. Sheyko, *IPO Status 30 July*, attached to Email from P.N. Malyi to O.V. Sheyko (July 30, 2002), ECF No. 112-2, Ex. R-660.

¹⁴⁰ Email from B. Bean to A. Dontsov, *Compensation Agreement* (Aug. 15, 2002), ECF No. 115-3, Ex. R-691.

¹⁴¹ Dmitry Gololobov, *General Obvious: Did Khodorkovsky steal YUKOS?*, www.RBC.com (Mar. 28, 2016), ECF No. 112-9, Ex. R-667.

**UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA**

HULLEY ENTERPRISES LTD.,
YUKOS UNIVERSAL LTD., and
VETERAN PETROLEUM LTD.,

Petitioners,

v.

THE RUSSIAN FEDERATION,

Respondent.

Case No. 1:14-cv-01996-BAH

**DOCUMENTS CITED IN THE
DECLARATION OF DMITRY GOLOBOV**

DOCUMENT	DATE	ECF No.	R – EXHIBIT No.
RTT Certificate of Registration	24 Sept. 1992	25-1	R-1
RTT Joint Venture Charter	8 Dec. 1997	25-2	R-2
List of RTT Employees	1 Sept. 1995	25-3	R-3
Loans for Shares Auction Minutes No. 1	8 Dec. 1995	25-4	R-4
Loans for Shares Auction Minutes No. 2	8 Dec. 1995	25-5	R-5
Pledge Agreement No. 0I-2-2761	13 Dec. 1995	25-8	R-8
Stock Purchase Agreement No. 1-12-1-990	14 Dec. 1995	25-9	R-9
Stock Purchase Agreement L/A-1	24 Jan. 1996	25-10	R-10
Stock Purchase Agreement L/T-1	24 Jan. 1996	25-11	R-11

DOCUMENT	DATE	ECF No.	R-EXHIBIT No.
Stock Purchase Agreement No. Y-51/97	5 May 1997	25-12	R-12
Stock Purchase Agreement Ts-703	24 Dec. 1996	25-14	R-14
Stock Purchase Agreement No. Y-52/97	5 May 1997	25-15	R-15
Stock Purchase Agreement No. KA-KI/1	24 Mar. 1998	25-18	R-18
Stock Purchase Agreement No. EB-TE/1	24 Mar. 1998	25-19	R-19
Stock Purchase Agreement No. AV-CA/1	24 Mar. 1998	25-20	R-20
Stock Purchase Agreement No. ME-WA/1	24 Mar. 1998	26-1	R-21
Stock Purchase Agreement No. HA-BA/1	24 Mar. 1998	26-2	R-22
Stock Purchase Agreement No. DK-1012/98	17 June 1998	26-3	R-23
Sale Agreement between Kincaid and Hulley	9 Mar. 2000	26-4	R-24
Sale Agreement between Temerain and Hulley	9 Mar. 2000	26-5	R-25
Sale Agreement between Cayard and Hulley	9 Mar. 2000	26-6	R-26
Sale Agreement between Wandsworth and Hulley	9 Mar. 2000	26-7	R-27
Sale Agreement between Barion and Hulley	9 Mar. 2000	26-8	R-28
Letter from Mr. Muravlenko to Mr. Chubais	27 Sept. 1995	26-18	R-38
Report re: Sale of Yukos Stock from Bank Menatep to Monblan	24 Dec. 1996	27-7	R-47
Mr. P.N. Maly's Memorandum to Mr. O.V. Sheiko	14 May 2002	27-12	R-52
Complete Registry of Shares for OAO Yukos Oil Company	22 Apr. 1996	28-1 – 29-17	R-55
Presidential Decree No. 889	31 Aug. 1995	40-1	R-261
State Property Committee's Order No. 1458-R	10 Oct. 1995	40-2	R-262

DOCUMENT	DATE	ECF No.	R – EXHIBIT No.
Civil Code of the Russian Federation (CCRF) (Updated)	3 Jan. 2006	51-1	R-272
Resolution of the State Duma of the Russian Federation № 3331-II GD	4 Dec. 1998	41-4	R-284
Sergey Lukianov, “‘Managed’ Yukos Sale Fetches \$160M”, <i>Moscow Times</i>	24 Dec. 1996	109-1	R-617
Updated Schedule (ADR Listing) for “Project Voyage”	7 Aug. 2002	109-2	R-618
Project “Voyage” Working Group List	4 Nov. 2002	109-3	R-619
Business Proposal: “Project Voyage”	8 Aug. 2002	109-4	R-620
Restated Compensation Agreement	1 Nov. 2002	109-5	R-621
Email from Bruce Misamore to Dmitry Gololobov	27 Nov. 2002	109-6	R-622
Email from Daniel Walsh to Doug miller	19 Sept. 2002	109-7	R-623
Memo re: Veteran Managers’ Plan and Agreement	14 Aug. 2002	109-8	R-624
Email from Mr. Khodorkovsky to Mr. Sheyko	20 Feb. 2003	109-11	R-628
Draft F-1 Statement	19 Mar. 2003	109-12	R-629
“The Best Defence Is Non-Ownership,” <i>Kommersant</i>	13 Jan. 2005	109-13	R-630
Clifford Chance Memo 1-90646-06	Undated	109-14	R-631
U.S. Securities and Exchange Commission, EDGAR Search Results for YUKOS OIL CO CIK# 0001223005	Undated	109-15	R-632
<i>Yukos Review</i> , Issue 13(2)	June 2003	109-16	R-633
Email attaching Conclusion on Wages Remuneration	14 Apr. 2000	109-17	R-634
Interview with Mikhail Khodorkovsky, <i>Spiegel</i>	9 Aug. 2010	109-18	R-635

DOCUMENT	DATE	ECF No.	R-EXHIBIT No.
Dmitry Gololobov and Svetlana Bakhmina, "Perevernutaya Stranitsa," <i>Vedomosti</i>	19 Aug. 2010	109-19	R-636
F-6 Statement	17 Mar. 2003	109-20	R-637
Curriculum Vitae of Dmitry Gololobov		New	R-638
Letter from West Deutsche Landesbank to Mr. Mikhail Khodorkovsky	24 June 1999	110-3	R-641
Letter from Mr. Alexey Golubovich to West Deutsche Landesbank	1 July 1999	110-4	R-642
"Vanishing Act: How Oil Giant Yukos Came to Resemble an Empty Cupboard," <i>Wall Street Journal</i>	15 July 1999	110-5	R-643
"Yukos Transfers Two Oil Units to Offshore Firms -- Move Angers Banks with 30% Stake," <i>Wall Street Journal</i>	4 June 1999	110-6	R-644
OAQ Yuganskneftegaz Board of Directors, Materials for the Board Meeting on Feb. 26, 1999	26 Feb. 1999	110-7	R-645
Minutes No. 1, Extraordinary Shareholders Meeting OAQ Samaraneftgaz	23 Mar. 1999	110-8	R-646
Minutes of the Meeting of the Board of Directors of OAQ Tomskneft	25 Feb. 1999	110-9	R-647
Press Release, Misaki Enterprises Limited, Major Russia Assets are Seized Illegally	30 Mar. 1999	111-1	R-649
Dart sells his shares in units of YUKOS	20 Dec. 1999	111-2	R-650
Russia Seeks to Liquidate Menatep, Appoints Temporary Bank Adviser (The Wall Street Journal)	20 May 1999	111-3	R-651
Menatep Creditors Vote to Close Bank (The Moscow Times)	22 Sept. 1999	111-4	R-652
An 'Oligarch's' U-Turn Toward Probity (Los Angeles Times)	26 Dec. 2001	111-5	R-653

DOCUMENT	DATE	ECF No.	R – EXHIBIT No.
Menatep Papers Sink (The Moscow Times)	18 May 1999	111-6	R-654
Fortune in Hand, Russia Tries to Polish Image (The New York Times)	18 Aug. 2001	111-7	R-655
“No Traces Will Be Left Behind: Menatep’s Documents Lie at the Bottom of the Dubna,” <i>Kommersant</i>	29 May 1999	111-8	R-656
Mikhail Khodorkovsky Facebook Post	26 Mar. 2016	111-10	R-658
Making the grade for investment (Financial News)	18 Nov. 2002	112-1	R-659
Memo from P.N. Maliy to Oleg Sheiko	30 July 2002	112-2	R-660
Memo from P.N. Maliy to Oleg Sheiko	14 May 2012	112-5	R-663
Email from M.B. Khodorkovsky to S.N. Gorkov and O.V. Sheiko	14 May 2002	112-6	R-664
Chart Showing Moscow Food Factory Ownership	-	112-7	R-665
“General Obvious: Did Khodorkovsky steal YUKOS?”, Dmitry Gololobov	28 Mar. 2016	112-9	R-667
Ex-Yukos Executive Calls Russian Probe ‘Retaliation’ (The Washington Post)	23 Aug. 2006	112-10	R-668
Slovakia buys back oil pipeline firm Transpetrol (Reuters)	26 Mar. 2009	113-1	R-669
Dutch Ruling Hands Yukos Creditor Moravel \$848M (Law360)	27 Mar. 2008	113-2	R-670
Court Declares Menatep Bankrupt (The Moscow Times)	30 Sept. 1999	113-3	R-671
GML 2011 Agreement	June 2011	113-4	R-672
<i>Yukos Capital SàRL v. Feldman</i> , No. 15-cv-4964-LAK, Amended Complaint	15 Mar. 2016	113-5	R-673

DOCUMENT	DATE	ECF No.	R – EXHIBIT No.
<i>Yukos Capital SàRL v. Feldman</i> , No. 15-cv-4964-LAK, Second Amended Counterclaims, and Third-Party Complaint	24 Mar. 2016	113-6	R-674
BNP Paribas v. Yukos – Dutch Judgment	19 Sept. 2005	113-7	R-675
English Judgment in BNP Paribas v. Yukos Oil Company	29 Sept. 2005	113-8	R-676
Yukos Annual Report	2002	113-9	R-677
Corporate Governance Charter of AO Yukos, OAO NK YUKOS, Resolution of the Board of Directors on Good Corporate Governance	3 June 2000	113-10	R-678
Stichting YI Board Meeting Minutes (ECF No 62-7 in Case 1:15-cv-04964-LAK)	18 Mar. 2008	114-1	R-679
Stichting FPH Board Meeting Minutes (ECF No 62-5 in Case 1:15-cv-04964-LAK)	11 Dec. 2008	114-3	R-681
Transpetrol Shares Return to Slovakia (The Slovak Spectator)	6 Apr. 2009	114-5	R-683
Order 1547-R of the State Property Committee	25 Oct. 1995	114-6	R-684
Note by Golubovich re: “Negotiations” with Yukos Managers in October	2 Nov. 1995	114-7	R-685
Bank Statements of Yukos Universal Ltd.	2002-2003	114-9	R-687
Email from Bruce Bean to Andrei Dontsov re YUL-Tempo Agreement	15 Aug. 2002	115-3	R-691
Original Agreement between Yukos Universal Ltd. and Tempo Finance	26 Mar. 2002	116-1	R-699
Certification of Fulfilment of Investment Program by Viktor Kazakov	16 Dec. 1998	116-2	R-700
Laguna’s Investment Program	1995	116-3	R-701
Agreements with Yukos Managers’ Shell Companies	1996-1998	116-6	R-704

DOCUMENT	DATE	ECF No.	R – EXHIBIT No.
Schedule I to the Agreement of March 26, 2002 between Group Menatep Limited and Beneficiaries and Company Temp Finance Ltd.	26 Mar. 2002	116-8	R-710
Clifford Chance Emails re: Muravlenko	30 Sept. 2002	116-9	R-711
Eric Wolf Email Copying Leonid Nevzlin	28 Sept. 2015	116-10	R-712
Eric Wolf Email to Tim Osborne	23 June 2015	117-1	R-713
Regulation on Investment Tenders for the Sale of Shares of the Yukos Oil Co. OJSC	15 Dec. 1994	117-2	R-714
Letters of Approval from the Ministry on Antimonopoly Policy	17 Dec. 1998	New	R-731
Contract No. 001-10 between ZAO Rosprom and OAO Yukos Oil Company	20 Feb. 1997	New	R-732
Contract between OAO Yuganskneftegaz and ZAO Yukos EP	23 Sept. 1998	New	R-733
Contract between OAO Samaraneftgaz and ZAO Yukos EP	23 Sept. 1998	New	R-734
Contract between OAO Tomskneft and ZAO Yukos EP	29 Sept. 1998	New	R-735
Contract between OAO Samaraneftgaz and OAO Yukos Oil Company	7 July 1998	New	R-736
Protocol No. 1 of Extraordinary Shareholders Meeting of OAO Yuganskneftegaz	20 Mar. 1999	New	R-737
Table of Yukos Guarantees	1 Jan. 2001	New	R-787
Notices re: Yukos Guarantees		New	R-788
Minutes of Meeting re: Bank Menatep Assets and Liabilities	31 May 2000	New	R-789
Yukos Financial Statement	24 May 2002	New	R-790

DOCUMENT	DATE	ECF No.	R – EXHIBIT No.
Letter from PricewaterhouseCoopers	10 Apr. 2003	New	R-791
Email from Chris Santis to Doug Miller	14 Feb. 2005	New	R-792
Maruev Scheme	4 Dec. 2000	New	R-793
Letter from Mr. Gololobov to Chief Bailiff A.T. Melnikov	6 Aug. 2004	New	R-794
Letter from Mr. Sazanov, Deputy Head of the Bailiffs Department to Mr. Gololobov	9 Sept. 2004	New	R-795