



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.<sup>2</sup> 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.<sup>3</sup> 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

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<sup>2</sup> 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. Golobov to A. Valentinovich, (Apr. 14, 2000), ECF No. 109-17, Ex. R-634.

<sup>3</sup> 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*)),<sup>4</sup> 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.<sup>5</sup> 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.<sup>6</sup> 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.

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<sup>4</sup> 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.

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

<sup>6</sup> 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.

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