

**UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA**

MIKHAIL FRIDMAN, PETR AVEN, and  
GERMAN KHAN,

Plaintiffs,

v.

BEAN LLC a/k/a FUSION GPS, and GLENN  
SIMPSON,

Defendants.

Civil Case No. 1:17-cv-2041-RJL

**SUPPLEMENTAL BRIEF FOLLOWING ORAL ARGUMENT<sup>1</sup>**

Dated: November 7, 2018

Respectfully submitted,

/s/ Steven M. Salky

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<sup>1</sup> On September 26, 2018, the Court held oral argument in the above-captioned case. At the close of the hearing, the Court permitted the parties to file supplemental briefing addressing issues discussed in oral argument.

Plaintiffs Mikhail Fridman, Petr Aven, and German Khan, three principals of Alfa Bank, are among the most influential and famous Russian oligarchs in the world. In January 2018, the U.S. Treasury Department placed all three Plaintiffs on the “Putin List” of oligarchs with close relationships with the Russian government so that Congress could evaluate imposing sanctions on them.<sup>2</sup> Plaintiffs’ notoriety is worldwide, including within the United States, and Plaintiffs’ counsel concedes as much. *See* Tr. of Mot. Hr’g (“Tr.”) 32 (“Yes, they are prominent people. They have, they think, ideas that they often share in articles, on panels and seminars. Yes, they’re wealthy. Yes, they are listed on lists and written about. That’s all true.”).

At oral argument, the Court inquired whether Plaintiffs were public figures in the United States at the time CIR 112 was published. *See* Tr. 11-12. In August 2018, Judge Epstein of the D.C. Superior Court—who adjudicated Plaintiffs’ companion defamation case against Christopher Steele—found that they were. Order, *Khan v. Orbis Bus. Intelligence Ltd.*, Case No. 2018 CA 002667 B (D.C. Super. Ct. Aug. 20, 2018) (“Epstein Order”) at 16 (“Plaintiffs are public figures for at least a limited purpose related to the information in CIR 112”). He was plainly right. The extensive media coverage of Plaintiffs in articles published in the United States, including on the subject of Russian oligarchs’ relationship with their government, demonstrate that Plaintiffs have “special prominence” within that controversy. *Waldbaum v. Fairchild Publ’ns, Inc.*, 627 F.2d 1287, 1297 (D.C. Cir. 1980) (quoting *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 351 (1974)). Plaintiffs have likewise “purposefully [tried] to influence the outcome” of this controversy through their prominent relationship with the Kremlin and by publicizing their approach to that relationship, including in media interviews published in the

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<sup>2</sup>U.S. TREASURY DEP’T, REP. TO CONGRESS REGARDING SENIOR FOREIGN POLITICAL FIGURES AND OLIGARCHS IN THE RUSSIAN FEDERATION AND RUSSIAN PARASTATAL ENTITIES (Jan. 29, 2018), [https://www.scribd.com/document/370313106/2018-01-29-Treasury-Caatsa-241-Final#fullscreen&from\\_embed?campaign=SkimbitLtd&ad\\_group=35871X943606X8172bfc812a73ed793114738adc212da&keyword=660149026&source=hp\\_affiliate&medium=affiliate](https://www.scribd.com/document/370313106/2018-01-29-Treasury-Caatsa-241-Final#fullscreen&from_embed?campaign=SkimbitLtd&ad_group=35871X943606X8172bfc812a73ed793114738adc212da&keyword=660149026&source=hp_affiliate&medium=affiliate).

United States. *Id.* Thus, Plaintiffs are limited purpose public figures for the purposes of CIR 112.

At oral argument, Plaintiffs' counsel argued that, even if Plaintiffs are public figures, they should be excused from plausibly pleading actual malice because public figure status is an affirmative defense. Tr. 32. That proposition is flatly wrong as a matter of law. As public figures, their failure to plead actual malice means that their complaint must be dismissed.

As an independent and alternative ground for dismissal, Defendants also filed a Special Motion to dismiss the case pursuant to the D.C. Anti-SLAPP statute. Notwithstanding Plaintiffs' statements at oral argument, *see* Tr. 37, that Special Motion was timely filed.

#### **I. Plaintiffs Have Been and Remain Public Figures in the United States.**

At oral argument, the Court inquired whether Plaintiffs are public figures in the United States. Tr. 11-12. The answer to that question is emphatically yes. For more than two decades and with considerable frequency in recent years, the U.S. media has paid careful attention to Plaintiffs and their relationship with the Russian government. *See, e.g.*, Mem. in Supp. of Defs.' Mot. to Dismiss ("Mot."), ECF No. 20-1 at n.24 (citing, among others, articles in *Bloomberg*, *The New York Times*, *Reuters*, and *Newsweek* discussing Plaintiffs and their relationship with the Russian government); Reply in Supp. of Mot. to Dismiss ("Reply"), ECF No. 27 at n.8.<sup>3</sup>

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<sup>3</sup> A sample of articles in U.S. publications about Plaintiffs' relationship with President Putin published before CIR 112 include the following. Articles behind paywalls are included in the attached Addendum. *See, e.g.*, Henry Meyer, Stephanie Baker & Irina Reznik, *Putin Critics Are Advising the U.S. on Its New Oligarchs List*, BLOOMBERG (Jan. 26, 2018, 6:49 AM), <https://www.bloomberg.com/news/articles/2018-01-26/kremlin-foes-advise-u-s-on-sanctions-as-oligarch-list-looms> (noting that Fridman and Aven may be included on U.S. Treasury Department list of "most senior foreign political figures and oligarchs in the Russian Federation, as determined by their closeness to the Russian regime and their net worth"); Karina Orlova, *Russia's Great Bank Takeover*, AMERICAN INTEREST (Jan. 12, 2018), <https://www.the-american-interest.com/2018/01/12/russias-great-bank-takeover/> (discussing the Kremlin's relationship with financial institutions and noting that, "of the top 10 largest Russian banks today, the only privately owned one that has not been targeted by the authorities is Alfa Bank, owned by Putin's long-time crony Mikhail Fridman"); Leonid Bershidsky, *Not All Russian Billionaires Are Putin Cronies*, BLOOMBERG (Mar. 5, 2015), <https://www.bloomberg.com/view/articles/2015-03-05/not-all-russian-billionaires-are-putin-cronies> (discussing Fridman's attempts to make investments beyond the reach of the Russian government); Sergei Karpukhin, *Few Oligarchs can Beat Russia's Weakening Economy*, REUTERS (Dec. 11, 2014),

Plaintiffs have courted this attention, actively engaging with the media, both directly and through their D.C.-based public relations firm, BGR Group.<sup>4</sup> A sample of the numerous interviews given by Plaintiffs to media published in the U.S. include:

- In 2016, Mikhail Fridman provided a lengthy interview about himself and his partners Messrs. Khan and Aven to the *Financial Times* in which he asserted that they “never wanted to challenge authority . . . We always followed this philosophy—always be loyal

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<https://www.newsweek.com/few-oligarchs-can-beat-russias-weakening-economy-290984> (discussing how Fridman and Khan “have found that being out of favor with the Kremlin is not necessarily a bad thing”); Gregory L. White, *Tycoon is All About Business – Alfa’s Fridman, Flush After Selling TNK-BP Stake, Stresses Investing in Russia*, WALL ST. J. (Apr. 8, 2013), <https://www.wsj.com/articles/SB10001424127887324883604578396182485278220> (Fridman, in an interview with *The Wall Street Journal*, describing strategy of investing in Russia because “our interests [and Putin’s] coincide here and not so much because we’re politically inclined but because Russia is more comprehensible”); Steve Levine, *The Last Free Oligarch*, FOREIGN POLICY GRP. (July 25, 2012), <https://foreignpolicy.com/2012/07/25/the-last-free-oligarch-2/> (arguing that Fridman had miscalculated in crossing Putin on oil deal); Megan Davies & Melissa Akin, *Russian risks bear down on oligarch Fridman*, REUTERS, June 6, 2012, <https://www.reuters.com/article/us-russia-tnkbp-fridman/russian-risks-bear-down-on-oligarch-fridman-idUSBRE8550S420120606> (reporting on Fridman’s success, including his connections to the government and his political diplomacy); Clifford Krauss & Andrew Kramer, *BP Executive Prepares to Take Over Spill Response*, N.Y. TIMES (June 22, 2010), <https://www.nytimes.com/2010/06/23/business/23dudley.html> (reporting on BP executive’s feud with Russian oligarchs, including Fridman, who “were backed by senior figures in the Kremlin” and who “orchestrated . . . a flurry of regulatory problems” for executive); Andrew E. Kramer, *The Last days of the Oligarchs?*, N.Y. TIMES (Mar. 7, 2009), <https://www.nytimes.com/2009/03/08/business/08shift.html> (discussing the oligarchs’ debt crisis and reporting that Fridman secured a “\$2 billion Kremlin bailout” to repay a debt); Andrew Kramer, *In Dispute with BP, Kremlin’s Hand Is Seen*, N.Y. TIMES (July 19, 2008), <https://www.nytimes.com/2008/07/19/business/worldbusiness/19venture.html> (reporting on Kremlin’s role in dispute between BP and their Russian partners, including Plaintiffs); Peter Finn, *BP, Russian Partners Vie for Control of Oil Venture*, WASH. POST (June 17, 2008), <http://www.washingtonpost.com/wp-dyn/content/article/2008/06/16/AR2008061602294.html> (reporting on charges that Fridman and others orchestrated government investigations and FSB raids on BP in an attempt to “wrest control” of TNK-BP “in advance of a sale of their stakes to a state-controlled company”); Gregory L. White & Guy Chazan, *Boardroom Brawl Roils BP’s Russia Venture—Talks Break Down; Kremlin’s Role Murky*, WALL ST. J. (June 12, 2008), <https://www.wsj.com/articles/SB121317667583463853> (discussing BP’s efforts to expand into Russia through alliance with Fridman and Khan’s company, and Kremlin’s role in deals). Numerous other publications published in the United States, like the *Financial Times*, have also extensively covered Plaintiffs and their relationship with the Kremlin. E.g., John Aglionby, *Profile: Mikhail Fridman – from rugs to riches*, FIN. TIMES (Mar. 2, 2015) <https://www.ft.com/content/c5aafbe6-c0bf-11e4-876d-00144feab7de#axzz3hqmiAWh6> (profiling Fridman); Mikhail Fridman: The Alpha oligarch, FIN. TIMES, Mar. 5, 2015, <https://www.ft.com/content/b47de3d4-c325-11e4-ac3d-00144feab7de>.

<sup>4</sup> See, e.g., Ryan Grim & Joshua Hersh, *Client of Haley Barbour’s Lobby Shop Linked To Trump Organization*, HUFFINGTON POST (March 29, 2012), [https://www.huffingtonpost.com/2012/03/29/haley-barbour-iran-nuclear-program-bgr\\_n\\_1375102.html](https://www.huffingtonpost.com/2012/03/29/haley-barbour-iran-nuclear-program-bgr_n_1375102.html) (noting that “GOP power broker Haley Barbour’s lobby shop, BGR Group” has represented Alfa Bank since 2002,” and, as of 2012, Alfa had spent \$3 million on BGR’s services); *More on Alpha Bank and Trump*, DAILY KOS (Nov. 1, 2016 5:51 PM), <https://www.dailykos.com/stories/2016/11/1/1589787/-More-on-Alfa-Bank-and-Trump> (reproducing full response by Jeffrey Birnbaum, BGR Public Relations to alleged server connection between Alfa Bank and Donald Trump, including that “neither Alfa Bank nor its principals, including Mikhail Fridman and Petr Aven, have or have had any contact with Mr. Trump or his organizations. Fridman and Aven have never met Mr. Trump nor have they or Alfa Bank had any business dealings with him. Neither Alfa Bank nor its officers have sent Mr. Trump or his organisation any emails, information or money.”).

and friendly [to the government] but never be too close.” He also explained that he hired Aven as “a channel for communication with the government.”<sup>5</sup>

- In 2015, in an interview with *Jewish Business News*, following the publication of his book on the economic transformation of Russia, Mr. Aven described his “union” with Mr. Fridman as being “built on a pragmatic basis: I needed the money, and he needed the ideas and useful contacts at the government.”<sup>6</sup>
- In 2012, in a wide-ranging interview with the *Wall Street Journal*, Mr. Fridman touched on his lobbying of U.S. legislators about Russia’s accession to the World Trade Organization and his contacts with President Putin and other officials related to the TNK-BP joint venture, saying “We’re always in touch with everyone, that’s our job.”<sup>7</sup>
- In 2011, Mr. Khan explained the success of the business run by Plaintiffs to the *Wall Street Journal*, saying that the group “never had a krysha [high-level political protection]. We were our own krysha.” Khan also noted “no indication that Russian authorities have given the company the cold shoulder . . . , as some observers had predicted.”<sup>8</sup>
- In a 2009 interview with the *Wall Street Journal*, Mr. Fridman was quoted as saying that despite complaints from other oligarchs and “even after a private meeting with the president [Putin], . . . ‘I didn’t feel any pressure from the authorities’” to change [Alfa’s] hardball business tactics.<sup>9</sup>
- In 2005, Fridman was interviewed about his complicated relationship with the Kremlin, saying he is “careful to avoid anything that the Kremlin would see as a challenge to its control of national politics” and that he “has tried to insulate himself by hiring former top government officials as advisers, including Pyotr Aven, a former trade minister and an old friend of Mr. Putin who meets the president regularly.”<sup>10</sup>

In short, Plaintiffs’ “media footprint is far greater than those found sufficient to support public figure status in other cases.” *AOA Alfa Bank*, 387 F. Supp. 2d at 45 (citing *Ellis v. Time*, 1997 WL 863267, at \*6 (D.D.C. 1997) (plaintiff is limited public figure where he was the subject

<sup>5</sup> Guy Chazan, *Lunch with the FT: Mikhail Fridman*, FIN. TIMES (Apr. 1, 2016), <https://www.ft.com/content/9527e2be-f5b5-11e5-96db-fc683b5e52db>.

<sup>6</sup> Kristina Subbotina, *Exclusive “No Tie” Interview With Head Of The Alpha Banking Holding, Petr Aven On Business, Childhood And Friends*, JEWISH BUS. NEWS (Nov. 19, 2015), <https://jewishbusinessnews.com/2015/11/19/exclusive-no-tie-interview-with-alfa-banks-president-peter-aven-on-business-childhood-and-friends/>.

<sup>7</sup> Gregory L. White, *Q&A: Russia’s Mikhail Fridman*, WALL ST. J. (June 29, 2012), <https://www.wsj.com/articles/SB10001424052702303649504577495852883865194>.

<sup>8</sup> Gregory L. White, *TNK-BP Russian Partner Relishes Conflict*, WALL ST. J. (Nov. 14, 2011), <https://www.wsj.com/articles/SB10001424052970203503204577036000854767804>.

<sup>9</sup> Gregory L. White, *At Russia’s Alpha, Hardball Still Reigns*, WALL ST. J. (June 2, 2009), <https://www.wsj.com/articles/SB124389901406474381>.

<sup>10</sup> Gregory L. White, *As Russia Squeezes Big Business, A Tycoon Decides to Pick a Fight*, WALL ST. J. (October 6, 2005), <https://www.wsj.com/articles/SB112856247619561303>.

of five articles in newspapers ranging from the *Washington Post* to the Russian newspaper *Izvestia*); *Bell v. Associated Press*, 584 F. Supp. 128, 131 (D.D.C. 1984) (plaintiff is limited public figure where “over one hundred newspaper articles have appeared concerning his various activities during the course of plaintiff’s career”). This media footprint also illustrates Plaintiffs’ “access to channels of effective communication”—a significant guidepost in the public-figure inquiry because such access gives them the “realistic opportunity to counteract false statements.” *Gertz*, 418 U.S. at 344. This is particularly true given Plaintiffs’ “well-coordinated and sophisticated public relations strategy through in-house press departments, external public relations firms, and corporate websites.” *OAO Alfa Bank*, 387 F. Supp. 2d at 45-46; *see also supra* note 4 (discussing Alfa Bank’s long-standing relationship with BGR Group). Indeed, in addition to its outside public relations firm, Alfa Bank maintains an online English-language “Press Center,”<sup>11</sup> with press releases about Plaintiffs, including refuting allegations of the Trump-Alfa Bank server connection,<sup>12</sup> touting Mr. Aven’s meetings with President Putin,<sup>13</sup> and Washington, D.C.-based press releases related to the Alfa Fellowship Program founded by Plaintiffs, which places “qualified young professionals from the U.S. . . . in work assignments at leading organizations in Russia.”<sup>14</sup>

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<sup>11</sup> Alfa-Bank, *Press Releases*, <https://alfabank.com/news/category/press-releases/> (last visited Nov. 7, 2018).

<sup>12</sup> Alfa-Bank, *Alfa Bank says no to connection between Alfa Bank and Trump and any suggestion to the contrary is false* (Nov. 1, 2016), <https://alfabank.com/news/alfa-bank-says-no-connection-between-alfa-bank-and-trump-and-any-suggestion-to-the-contrary-is-false/>; Alfa-Bank, *Press Statement: Alfa Bank confirms it has sought help from U.S. authorities, and discloses new cyberattacks linked to Trump hoax* (Mar. 17, 2017), <https://alfabank.com/news/press-statement-alfa-bank-confirms-it-has-sought-help-from-u-s-authorities-and-discloses-new-cyberattacks-linked-to-trump-hoax/>.

<sup>13</sup> Alfa-Bank, *Russian President Vladimir Putin Meets with Petr Aven, Chairman of the Board of Directors at Alfa Banking Group* (Feb. 13, 2014), <https://alfabank.com/news/russian-president-vladimir-putin-meets-with-petr-aven-chairman-of-the-board-of-directors-at-alfa-banking-group/>; Alfa-Bank, *Prime Minister Vladimir Putin Meets Alfa-Bank President Petr Aven to Discuss Financial Market Situation* (Sept. 25, 2008), <https://alfabank.com/news/prime-minister-vladimir-putin-meets-alfa-bank-president-petr-aven-to-discuss-financial-market-situation/>; Alfa-Bank, *Petr Aven, President of Alfa-Bank, told Putin the banking system was stable* (Aug. 14, 2006), <https://alfabank.com/news/petr-aven-president-of-alfa-bank-told-president-putin-the-banking-system-was-stable/>.

<sup>14</sup> Alfa-Bank, *Russian Business Leaders Mikhail Fridman and Petr Aven Join Alfa Fellows and Alumni for the 6<sup>th</sup> Annual Alumni Event* (May 23, 2012), <https://alfabank.com/news/russian-business-leaders-mikhail-fridman-and->

Plaintiffs' prominence and notoriety in the United States derives not only from their media presence, but also from the U.S. government's interest in their relationship with President Putin, their visits to the United States, and their efforts to seek publicity here through U.S. philanthropy and public policy initiatives. Recent examples of Plaintiffs' publicity in the United States include the following. In January 2018, the U.S. Treasury Department included all three Plaintiffs on the "Putin list" of Russian oligarchs, which it described as "a list of senior foreign political figures and oligarchs in the Russian Federation, as determined by their closeness to the Russian regime and their net worth."<sup>15</sup> The Treasury Department submitted this list to Congress, pursuant to a statutory directive, to help Congress evaluate "[t]he possible impact of additional sanctions against [the listed] oligarchs." *Id.* This list, and Plaintiffs' inclusion on it, received substantial attention,<sup>16</sup> and Mr. Fridman spoke to the media on the subject.<sup>17</sup> Just months ago, in May, Mr. Fridman and Aven came to Washington, D.C. to attend a private meeting at an influential U.S. think-tank and reportedly met with members of Congress.<sup>18</sup> Messrs. Fridman

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[petr-aven-joinalfa-fellows-and-alumni-for-the-6th-annual-alumni-event/](http://www.alfabank.com/news/russian-business-leaders-mikhail-fridman-and-petr-aven-celebrate-7th-anniversary-of-alfa-fellowship-program/); Alfa-Bank, *Russian Business Leaders Mikhail Fridman and Petr Aven Celebrate 7<sup>th</sup> Anniversary of Alfa Fellowship Program* (May 12, 2011), <https://alfabank.com/news/russian-business-leaders-mikhail-fridman-and-petr-aven-celebrate-7th-anniversary-of-alfa-fellowship-program/>.

<sup>15</sup>U.S. TREASURY DEP'T, REP. TO CONGRESS REGARDING SENIOR FOREIGN POLITICAL FIGURES AND OLIGARCHS IN THE RUSSIAN FEDERATION AND RUSSIAN PARASTATAL ENTITIES (Jan. 29, 2018), [https://www.scribd.com/document/370313106/2018-01-29-Treasury-Caatsa-241-Final#fullscreen&from\\_embed?campaign=SkimbitLtd&ad\\_group=35871X943606X8172bfc812a73ed793114738adc212da&keyword=660149026&source=hp\\_affiliate&medium=affiliate](https://www.scribd.com/document/370313106/2018-01-29-Treasury-Caatsa-241-Final#fullscreen&from_embed?campaign=SkimbitLtd&ad_group=35871X943606X8172bfc812a73ed793114738adc212da&keyword=660149026&source=hp_affiliate&medium=affiliate).

<sup>16</sup> See, e.g., Daniel Brown, *The 25 richest Russian oligarchs on the 'Putin list' that the US just released*, BUS. INSIDER (Jan. 30, 2018), <https://www.businessinsider.com/richest-russian-oligarchs-putin-list-2018-1>; Leon Aron & Wesley Fox, *The administration's Kremlin Report falls short*, AEIDEAS (Jan. 31, 2018, 8:00 AM), <http://www.aei.org/publication/the-administrations-kremlin-report-falls-short/>.

<sup>17</sup> Maria Kiselyova & Olga Sichkar, *Update 1-Fridman says not sure how U.S. oligarchs list will impact business*, REUTERS (Feb. 1, 2018), <https://www.reuters.com/article/usa-russia-sanctions-list-fridman/update-1-fridman-says-not-sure-how-u-s-oligarchs-list-will-impact-business-idUSL8N1PR2VA>.

<sup>18</sup> Rafael Saakov, *US Think Tank Takes Heat for Hosting Putin-Linked Oligarchs*, VOA NEWS (May 23, 2018), <https://www.voanews.com/a/us-think-tank-takes-heat-for-hosting-putin-linked-oligarchs/4406945.html>; Meduza, *Russia's two 'friendliest' oligarchs reportedly come to D.C. bearing message from the Kremlin*, (May 22, 2018), <https://meduza.io/en/news/2018/05/22/russia-s-two-friendliest-oligarchs-reportedly-come-to-d-c-bearing-a-message-from-the-kremlin>.

and Aven visited the White House during the Obama administration on multiple occasions.<sup>19</sup> In 2015, Mr. Aven received an award for corporate citizenship from the Woodrow Wilson Center for his contributions to U.S.-Russia relations.<sup>20</sup> In 2014, Messrs. Fridman, Aven, and Khan set up the Genesis Philanthropy Group, with an office in New York, that awards the “Jewish Nobel Prize,” which has been given to prominent Americans such as Mayor Michael R. Bloomberg, actor Michael Douglas, and Justice Ruth Bader Ginsburg.<sup>21</sup> Mr. Fridman currently serves on the corporate fundraising board of the John F. Kennedy Center for the Arts in D.C.<sup>22</sup> He also has served on the International Advisory Board for the New York-based Council on Foreign Relations,<sup>23</sup> where he established a lecture series on U.S.-Russia relations.<sup>24</sup>

Relying on similar types of sources, Judge Bates easily concluded that Messrs. Fridman and Aven were limited purpose public figures in 2005. *OAO Alpha Bank*, 387 F. Supp. 2d at 47. In that case, Judge Bates also specifically addressed whether Fridman and Aven’s “fame is confined to Russia” and whether, therefore, they have not achieved the necessary degree of notoriety in the United States to be public figures here. *Id.* Judge Bates first questioned whether it was even necessary to undertake a public-figure inquiry confined to the United States, noting that in a case where an allegedly defamatory statement “was published on the Internet” such that

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<sup>19</sup>Franklin Foer, *Was a Trump Server Communicating With Russia?*, SLATE (Oct. 31, 2016, 5:36 PM), [http://www.slate.com/articles/news\\_and\\_politics/cover\\_story/2016/10/was\\_a\\_server\\_registered\\_to\\_the\\_trump\\_organization\\_communicating\\_with\\_russia.html](http://www.slate.com/articles/news_and_politics/cover_story/2016/10/was_a_server_registered_to_the_trump_organization_communicating_with_russia.html) (“During the first Obama term, Fridman and Aven met with officials in the White House on two occasions, according to visitor logs.”); see also Steven Mufson, *BP’s heralded deal with Russian oil giant wilts, with deadline passing*, WASH. POST (May 17, 2011), [https://www.washingtonpost.com/business/economy/bps-heralded-deal-with-russian-oil-giant-rosneft-wilts-with-deadline-passing/2011/05/17/AFdxn75G\\_story.html?utm\\_term=.a9637713720f](https://www.washingtonpost.com/business/economy/bps-heralded-deal-with-russian-oil-giant-rosneft-wilts-with-deadline-passing/2011/05/17/AFdxn75G_story.html?utm_term=.a9637713720f) (reporting that Fridman “saw senior State Department and National Security Council officials during a visit to Washington last week”).

<sup>20</sup> Wilson Center to Honor Petr Aven and Susan Carmel Lehrman, KENNAN INST. (Oct. 21, 2015), <https://www.wilsoncenter.org/article/wilson-center-to-honor-petr-aven-and-susan-carmel-lehrman>.

<sup>21</sup> *Genesis Prize*, WIKIPEDIA, [https://en.wikipedia.org/wiki/Genesis\\_Prize](https://en.wikipedia.org/wiki/Genesis_Prize). (last visited Nov. 6, 2018).

<sup>22</sup> Corporate Support, *The 2018 Corporate Fund Board*, THE KENNEDY CENTER, <https://www.kennedy-center.org/Membership/CorporateFundBoard> (last visited Nov. 6, 2018).

<sup>23</sup> International Advisory Board, COUNCIL ON FOREIGN RELATIONS (2009), [https://www.cfr.org/content/about/annual\\_report/ar\\_2009/Intl\\_Advisory\\_Board2009.pdf](https://www.cfr.org/content/about/annual_report/ar_2009/Intl_Advisory_Board2009.pdf)

<sup>24</sup> *The Russia and Russian-American Relations Lecture*, COUNCIL ON FOREIGN RELATIONS, <https://www.cfr.org/project/russia-and-russian-american-relations-lecture> (last visited Nov. 6, 2018).

its “audience . . . is not confined to the United States, . . . it is not immediately apparent why the limited public figure inquiry should be so confined.” *Id.*<sup>25</sup> He then held that even if the court were to limit its review of Aven and Fridmans’ prominence to the United States, the U.S. public record makes abundantly clear that “Aven and Fridman are players on the world stage; hence, they are limited public figures *not only in Russia, but in the United States as well.*” *Id.* (emphasis added). As support, Judge Bates pointed to Aven’s and Fridman’s speaking engagements and media appearances in the United States, high-level meetings with U.S. government officials, and thousands of mentions in U.S. news publications. *Id.*<sup>26</sup>

In an Order dated August 20, 2018, Judge Epstein of the D.C. Superior Court updated and reaffirmed Judge Bates’ findings about Aven and Fridman’s prominence and extended them to Plaintiff Khan as well. Epstein Order at 16-18.<sup>27</sup> Judge Epstein concluded that, in 2018, Plaintiffs remain “limited public figures not only Russia, but in the United States.” *Id.* at 17 (“These findings in *OAO Alfa Bank* are valid today.”). As Judge Epstein recognized, “[n]othing suggests in the intervening decade [since the *OAO Alfa Bank* decision] a significant decrease in the fortunes of Alfa Group or the role of Russian oligarchs.” *Id.*

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<sup>25</sup> See also *Boley v. Atlantic Monthly Grp.*, 950 F. Supp. 2d 249, 261 (D.D.C. 2013) (stating that “a limited purpose public figure is defined ‘*not in terms of geography* but in terms of the controversy that he has stepped into” and holding that plaintiff was a public figure for the public controversy concerning the Liberian Civil War).

<sup>26</sup> Judge Bates also found that Aven and Fridman’s “media presence extends to the United States.” *OAO Alfa Bank*, 387 F. Supp. 2d at 28. He noted that “Aven and Fridman have spoken to numerous influential organizations in the United States (such as the Keenan Institute and the Carnegie Endowment for International Peace),” and have been interviewed by numerous American news outlets. *Id.* “An October 2003 search of an online news database for English language articles revealed more than 1,100 English language articles since 1990 that mention the name Mikhail Fridman, and more than 1,400 articles that include the name Petr Aven.” *Id.* Recent news searches reveal that number has dramatically increased over the past ten years. A Lexis-Nexis news search from 2018 yielded 14,900 articles for Fridman, 5,030 for Aven, and 5,311 articles for Khan. See Notice of Relevant Pleadings, ECF No. 33-4, Ex. D (Defs.’ Christopher Steele & Orbis Business Intelligence Ltd.’s Mem. in Supp. of Contested Special Mot. To Dismiss under the D.C. Anti-SLAPP Act) at 8; Ex. C at ¶ 4-6).

<sup>27</sup> As to Mr. Khan, Judge Epstein found “like Mr. Fridman and Mr. Aven, Mr. Khan is a beneficial owner of Alfa, . . . and he has had similar prominence and media coverage” including 5,311 articles mentioning him, “slightly more those mentioning Mr. Aven.” Epstein Order at 17.

The controversy regarding the relationship between Russian oligarchs and the Russian government is salient around the world, including in the United States, and Plaintiffs have placed themselves at the forefront of that controversy. They are limited-purpose public figures.

**II. Plaintiffs Are Public Figures in the Public Controversy At Issue Regardless of How It Is Defined.**

“The U.S. public today continues to have a strong interest in Russia’s relations with the United States and in the political and commercial relationships between Russian oligarchs and the Russian government.” Epstein Order at 18. Scores of recent news articles, as well as the other sources cited above, evidence the ongoing public controversy concerning the relationship between Russian oligarchs and the Russian government. *See, e.g.*, Mot. at nn. 1, 24, 32 (citing articles from domestic media outlets, including *Bloomberg*, *Forbes*, *Reuters*, *The Boston Globe*, *The New York Times*, *The New Yorker*, *Business Insider*, *Foreign Policy*, *Esquire Magazine*, *The Institutional Investor*, and *The Wall Street Journal*); *see supra* notes 3, 5-10. Given the sustained public attention, “there can be no doubt a public controversy exists relating to Russian oligarchs acting on behalf of the Russian government.” *Deripaska v. Associated Press*, 282 F. Supp. 3d 133, 142 (D.D.C. 2017). The controversy plainly resonates in the United States.<sup>28</sup> Indeed, three local judges have recognized the controversy. *See id.*; Epstein Order at 18 (defining a “broad controversy relating to Russian oligarchs’ involvement with the Russian government and its activities and relation around the world, including the United States”); *OAO Alfa Bank*, 387 F.

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<sup>28</sup> Courts frequently find public controversies related to conduct that occurs in whole or in part in a different country. *See, e.g., Trotter v. Jack Anderson Enters., Inc.*, 818 F.2d 431, 435 (5th Cir. 1987) (concluding that a controversy about violence at a bottling plant in Guatemala had reached the United States because it had been reported by “[U.S.] media, cited by broadly-based [non-profit] organizations . . . , and viewed as a significant foreign policy issue by government officials”); *Lluberes v. Uncommon Prods., LLC*, 663 F.3d 6, 20-21 (1st Cir. 2011) (rejecting argument that conduct in the Dominican Republic cannot make brothers into public figures in the United States and holding that public controversy regarding conditions for laborers on Dominican sugar plantations “resounded in the United States for obvious humanitarian reasons,” among others); *Boley*, 950 F. Supp. 2d at 261 (recognizing public controversy concerning the Liberian Civil War).

Supp. 2d at 43 (recognizing public controversy concerning the “rise of the oligarchs and the decline of the Russian economy” and “corruption in post-Soviet Russia”).

The test for whether a public controversy exists is whether an “issue was being debated publicly and if it had foreseeable and substantial ramifications for nonparticipants.” *Waldbaum*, 627 F.2d at 1297. In *Waldbaum*, the D.C. Circuit held that the innovations of a cooperative supermarket company constituted a public controversy because they had “became the subject of debate within the supermarket industry and beyond, debate that would affect consumers and retailers in the Washington area and, perhaps, elsewhere.” *Id.* at 1299. In other words, a public controversy need not affect all Americans or even a substantial percentage of them in order to qualify as a public controversy. *See* Tr. 16 (Court asking counsel whether a public controversy exists if U.S. “foreign-policy people might care about it, but . . . people in St. Louis or Chicago” may not). The D.C. Circuit further counseled that “a court may not question the legitimacy of the public’s concern; such an approach would turn courts into censors of what information is relevant to self-government.” *Id.* at 1296–97 (internal quotation marks omitted). Here, the controversy over the relationship between Russian oligarchs and the Russian government has evident ramifications, including at least on U.S. foreign policy, corporate and individual investment decisions, the world economy, and U.S.-Russia relations. This is particularly true given that the Russian oligarchs’ involvement with the Russian government purportedly extends to Russian foreign policy toward the United States. *See, e.g.*, Mot. Ex. 1 ¶ 1 (CIR 112 asserting that Fridman and Aven give advice to Putin “on foreign policy, and especially about the US”).

Plaintiffs do not dispute the existence of the public controversy over the Russian oligarchs’ relationship with the Russian government, but argue that it is not applicable because the articles evidencing that controversy cited in our briefs are “not comparable to the content of

CIR 112 or about its precise subject matter.” Tr. 31. But public controversies are frequently defined at a level of generality broader than the defamatory statement at issue. *Jankovic v. Int’l Crisis Grp.*, 822 F.3d 576, 586 (D.C. Cir. 2016) (noting that “courts often define the public controversy in expansive terms” and have “defined controversies as being broader than the narrower discussion contained in the defamatory document”). And, moreover, the “precise subject matter” of CIR 112 concerns *exactly* the public controversy that we have articulated. CIR 112 addresses Plaintiffs’ relationship with President Putin—subject matter that is directly within the controversy over the relationship between Russian oligarchs and the Kremlin.<sup>29</sup>

Rather than disputing the existence of this broad controversy, Plaintiffs have urged the Court to apply only a narrow public controversy to determine their public-figure status—“electoral interference” or “alleged connections between people in the Trump campaign orbit, and Russians,” Tr. 28-29. But that controversy is simply a facet of the broader public controversy. *See Jankovic*, 822 F.3d at 586 (“When defining the relevant controversy, a court may find that there are multiple potential controversies, and it is often true that a narrow controversy may be a phase of another broader one.” (internal quotation omitted)); *Deripaska*, 282 F. Supp. 3d at 141 (rejecting oligarch’s argument that the applicable public controversy in article was “Trump Campaign Controversy” and finding that oligarch was a public figure in the broader controversy “relating to Russian oligarchs acting on behalf of the Russian government”). Indeed, at oral argument, Plaintiffs’ counsel conceded that “[t]he 2016 defamation is all about

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<sup>29</sup> As to the statement in CIR 112 that Plaintiffs delivered illicit cash to Putin in the 1990s, Plaintiffs’ counsel argued that “in 2016, Your Honor, there was not a live controversy about Michael [sic] Fridman, Peter Aven and German Khan, . . . that they were bribing President Putin.” Tr. 31. But that statement in CIR 112 not only falls within the broad public controversy, but it also unequivocally falls within the controversy “involving corruption in post-Soviet Russia” for which Judge Bates already found Aven and Fridman to be public figures. *AO Alpha Bank*, 387 F. Supp. 2d at 43. The passage of time does not mean that Plaintiffs are no longer public figures in that controversy. “[A]n individual who becomes a limited purpose public figure with respect to a particular controversy retains that status for the purpose of later commentary on that controversy.” *Contemporary Mission, Inc. v. New York Times Co.*, 842 F.2d 612, 619 (2d Cir. 1988).

plaintiffs’ alleged relationship with Vladimir Putin”—a characterization that fits squarely within the broader public controversy. Tr. 35.

Even if, however, the Court were to narrowly define the public controversy as urged by Plaintiffs, Plaintiffs are still limited public figures in such controversy. In articles pre-dating CIR 112’s publication, the U.S. media was actively discussing Alfa Bank, Plaintiffs, and their ties to then-Candidate Trump.<sup>30</sup> Additionally, Plaintiffs themselves have acknowledged that, in late 2016, well prior to BuzzFeed’s January 2017 worldwide publication of the Dossier, the U.S. media was reporting on “computer communications between an Alfa bank computer server and a Trump Organization computer server.”<sup>31</sup> Multiple outlets reported a connection between Trump campaign and Alfa Bank computer servers based on months of investigation by private researchers.<sup>32</sup> Slate reported that Alfa Bank was a “suggestive” “potential interlocutor” with the Trump Organization because of its ties to Fridman and Aven and their relationship to Putin.<sup>33</sup>

Alfa Bank deployed its Washington D.C.-based public relations firm to issue denials on its

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<sup>30</sup> See, e.g., Notice of Relevant Pleadings, ECF No. 33-4, Ex. D (Christopher Steele & Orbis Business Intelligence Ltd.’s Mem. in Supp. of Contested Special Mot. to Dismiss under D.C. Anti-SLAPP Act) at 15-16 (discussing James Kirchick, *Donald Trump’s Russia Connections*, POLITICO (Apr. 27, 2016), <https://www.politico.eu/article/donald-trumps-russia-connections-foreign-policy-presidential-campaign/>; Franklin Foer, *Putin’s Puppet*, SLATE (July 4, 2016), [http://www.slate.com/articles/news\\_and\\_politics/cover\\_story/2016/07/vladimir\\_putin\\_has\\_a\\_plan\\_for\\_destroying\\_the\\_west\\_and\\_it\\_looks\\_a\\_lot\\_like.html](http://www.slate.com/articles/news_and_politics/cover_story/2016/07/vladimir_putin_has_a_plan_for_destroying_the_west_and_it_looks_a_lot_like.html); Ann Marlowe, *Will Donald Trump’s Data-Analytics Company Allow Russia to Access Research on U.S. Citizens?*, TABLET (Aug. 22, 2016, 10:00 PM), <https://www.tabletmag.com/jewish-news-and-politics/211152/trump-data-analytics-russian-access>; Irina Reznik & Alex Sazonov, *Russian Billionaires in U.S. Health Push with D.C. Insiders*, BLOOMBERG (July 14, 2016, 5:00 PM), <https://www.bloombergquint.com/business/russian-billionaires-plan-u-s-health-push-with-d-c-insiders#gs.8yBnxW8>; Julia Ioffe, *Who is Carter Page? The mystery of Trump’s man in Russia*, POLITICO (Sept. 23, 2016), <https://www.politico.com/magazine/story/2016/09/the-mystery-of-trumps-man-in-moscow-214283>); see also Stephen Bierman et al., *When Tillerson Looked into Putin’s Eyes, He Found Black Gold*, BLOOMBERG (Dec. 21, 2016), <https://www.bloomberg.com/news/articles/2016-12-21/when-rex-tillerson-looked-into-putin-s-eyes-he-found-black-gold> (quoting Fridman as agreeing that Rex Tillerson was an “ideal choice” for Secretary of State “from the Russian perspective”).

<sup>31</sup> Notice of Relevant Pleadings, ECF No. 33-5, Ex. E (Pls.’ Mem. in Opp’n to Special Mot. to Dismiss) at 17 n.21.

<sup>32</sup> See, e.g., Foer, *supra* note 19; Eric Lichtblau & Steven Myers, *Investigating Donald Trump, FBI Sees No Clear Link to Russia*, N.Y. TIMES (Oct. 31, 2016), <https://www.nytimes.com/2016/11/01/us/politics/fbi-russia-election-donald-trump.html>; Larry Cohler-Esses, *Is Jewish Oligarch the Cyber Link between Donald Trump and Russia?*, FORWARD (Nov. 1, 2016), <https://forward.com/news/world/353170/is-a-russian-israeli-oligarch-running-a-covert-cyber-channel-between-trump/>; Geoffrey Smith, *Meet the Russian Bank with Ties to Donald Trump*, FORTUNE (Nov. 2, 2016), <http://fortune.com/2016/11/02/donald-trump-alfa-bank/>.

<sup>33</sup> Foer, *supra* note 19.

behalf and on behalf of Fridman and Aven about their purported lack of contact with Trump or his Organization.<sup>34</sup> Thus, even in Plaintiffs’ narrow slice of the broader public controversy, Plaintiffs are limited purpose public figures.

### **III. Plaintiffs Must Plausibly Allege Actual Malice.**

Because of Plaintiffs’ public figure status, they were required to plausibly allege actual malice. At oral argument, Plaintiffs’ counsel asserted the Court need not consider Plaintiffs’ public-figure status at this stage because “public-figure status is an affirmative defense” and therefore need not be pled. Tr. 32. This assertion is wrong as a matter of law. Defendants’ “requisite fault” (i.e., negligence or actual malice) is an element of the tort of defamation—not an affirmative defense. *See, e.g., Fairbanks v. Roller*, 314 F. Supp. 3d 85, 90 (D.D.C. 2018) (Under D.C. law, “a defamation claim requires: (1) a false and defamatory statement; (2) published without privilege to a third party; (3) *made with the requisite fault*; and (4) damages.” (emphasis added)); *Coles v. Washington Free Weekly*, 881 F. Supp. 26, 30 (D.D.C. 1995) (same). For public figure plaintiffs, the element of “requisite fault” is “actual malice.” *Fairbanks*, 314 F. Supp. 3d at 92.

Every Circuit to examine the question post-*Twombly* has held that public-figure defamation plaintiffs must plausibly allege “actual malice” in their complaint. *See* Reply at 5-6 (citing cases from First, Second, Fourth, Seventh, Tenth, and Eleventh Circuits). Numerous courts in this district have agreed. *See, e.g., Fairbanks*, 314 F. Supp. 3d at 92-93; *Deripaska*, 282 F. Supp. 3d at 143-144; *Hourani Psybersolutions LLC*, 164 F. Supp. 3d 128, 143 (D.D.C. 2016); *Parisi v. Sinclair*, 845 F. Supp. 2d 215, 219 (D.D.C. 2012); *see also Zimmerman v. Al*

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<sup>34</sup> *Id.* (quoting response from “[Alfa’s] Washington representative, Jeffrey Birnbaum of the public relations firm BGR” disputing that Alfa Bank’s servers communicated with the Trump Organization and stating that “Neither Alfa Bank nor its principals, including Mikhail Fridman and Petr Aven, have or have had any contact with Mr. Trump or his organizations. Fridman and Aven have never met Mr. Trump nor have they or Alfa Bank had any business dealings with him.”).

*Jazeera Am.*, 246 F. Supp. 3d 257, 280 (D.D.C. 2017). Plaintiffs’ argument to the contrary—which, in their brief, rested on an unpublished 2003 case from the District of Kansas and an unpublished 1977 case from the Eastern District of Michigan, *see* Opp’n to Mot. to Dismiss, ECF No. 25 at 14—does not hold water.

Plaintiffs’ counsel also claimed at oral argument that “only public figures have to bear [the burden]” of “plead[ing] facts that overcome or satisfy the actual malice burden.” Tr. 32. That too is not accurate. Any defamation plaintiff—public or private—seeking punitive damages has to plead and prove that the defendant acted with actual malice. *Gertz*, 418 U.S. at 350; *Moss v. Stockard*, 580 A.2d 1011, 1033 n.40 (D.C. 1990) (punitive damages only available on showing of “actual malice”); *see also Potter v. AP*, 2015 WL 4393401, at \*8 (E.D. Va. July 15, 2015) (dismissing claim for punitive damages for failure to plead actual malice). Given that Plaintiffs seek punitive damages, Am. Compl. at 18, Plaintiffs should not be heard to complain that the actual malice pleading requirement is premature, unduly burdensome or only applicable to public figure plaintiffs. By seeking punitive damages, Plaintiffs were well on notice of the need to plausibly plead actual malice—wholly apart from their public figure status.

By any metric, Plaintiffs have failed to plausibly plead actual malice. As Judge Epstein correctly held, Plaintiffs did not allege that Defendants in fact harbored subjective doubts or recklessly disregarded information about CIR 112’s falsity, and CIR 112’s statements about corrupt payments were consistent with other information in the public domain. Epstein Order at 20.<sup>35</sup> And allegations about “unverified” sources or the failure to comply with professional standards fall well short of the standard. Mot. 31-32; *see also Jankovic*, 822 F.3d at 589-90.<sup>36</sup>

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<sup>35</sup> Epstein also held that any purported suggestion in CIR 112 that Plaintiffs cooperated in election interference was a speculative statement of conjecture not actionable under the First Amendment. Epstein Order at 19.

<sup>36</sup> Although Plaintiffs allege that Oleg Govorun, the purported “bag carrier,” was not employed by Alfa at the time of the alleged bribery, Am. Compl. ¶ 25, they do not allege that Defendants knew or had any reason to know that.

#### **IV. DEENDANT'S SPECIAL MOTION TO DISMISS WAS TIMELY.**

It is undisputed that Defendants filed a Special Motion to Dismiss Plaintiffs' claim for defamation "within 45 days after service of the claim," in accordance with D.C. Code § 16-5502(a). Plaintiffs incorrectly argue that their filing of an amended complaint nullified Defendants' compliance with D.C. Code § 16-5502(a). Tr. 37-38. However, the amended complaint made the same "claim" as their initial complaint; it sought the same remedies based on the same operative facts. *See Smith v. Greenway Apartments LP*, 150 A.3d 1265, 1273 (D.C. 2016) ("A 'claim' or 'cause' of action,' for purposes of claim preclusion, comprises all rights of the plaintiff to remedies against the defendant with respect to all or any part of the transaction, or series of connected transactions, out of which the action arose."). Accordingly, Defendants could have chosen to file no further anti-SLAPP special motion, having timely filed such motion in accordance with the statute's requirements. Defendants' decision to renew their Special Motion to ensure that the Court was fully advised of their position does not erase their compliance with the state statutory time limit.<sup>37</sup> Plaintiffs' argument elevates form over substance and should be rejected. *See Adelson v. Harris*, 973 F. Supp. 2d 467, 495-96 (S.D.N.Y. 2013) (rejecting argument that defendant missed deadline for filing anti-SLAPP motion under Nevada law, when he had filed timely motion under D.C. Anti-SLAPP law).

#### **CONCLUSION**

For the foregoing reasons, those stated in oral argument and in previous briefing, the Court should dismiss Plaintiffs' complaint pursuant to Federal Rule of Civil Procedure 12(b)(6) and/or the D.C. Anti-SLAPP Statute.

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<sup>37</sup> It warrants repeating that Plaintiffs consented to extend Defendants' time for filing any motions to dismiss their amended complaint to a specified date, which they now argue makes Defendants' renewed special motion untimely.



**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on November 7, 2018, the foregoing was filed with the Court's CM/ECF Service, and thereby provided to counsel of record.

*/s/ Rachel F. Cotton*

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Rachel F. Cotton

## ADDENDUM

1. Gregory L. White, *As Russia Squeezes Big Business, A Tycoon Decides to Pick a Fight*, WALL ST. J. (October 6, 2005, 12:01AM), <https://www.wsj.com/articles/SB112856247619561303>.
2. Gregory L. White & Guy Chazan, *Boardroom Brawl Roils BP's Russia Venture – Talks Break Down; Kremlin's Role Murky*, WALL ST. J. (June 12, 2008), <https://www.wsj.com/articles/SB121317667583463853>.
3. Peter Finn, *BP, Russian Partners Vie for Control of Oil Venture*, WASH. POST (June 17, 2008), <http://www.washingtonpost.com/wp-dyn/content/article/2008/06/16/AR2008061602294.html>.
4. Gregory L. White, *At Russia's Alpha, Hardball Still Reigns*, WALL ST. J. (June 2, 2009, 12:01 AM), <https://www.wsj.com/articles/SB124389901406474381>.
5. Gregory L. White & Rebecca Blumenstein, *The Gulf Oil Spill: Kremlin Ponders BP's Future in Russia*, WALL ST. J., June 8, 2010, at A7.
6. Steven Mufson, *BP's heralded deal with Russian oil giant wilts, with deadline passing*, WASH. POST (May 17, 2011), [https://www.washingtonpost.com/business/economy/bps-heralded-deal-with-russian-oil-giant-rosneft-wilts-with-deadline-passing/2011/05/17/AFdxn75G\\_story.html?utm\\_term=.a9637713720f](https://www.washingtonpost.com/business/economy/bps-heralded-deal-with-russian-oil-giant-rosneft-wilts-with-deadline-passing/2011/05/17/AFdxn75G_story.html?utm_term=.a9637713720f).
7. Gregory L. White, *TNK-BP Russian Partner Relishes Conflict*, WALL ST. J. (Nov. 14, 2011), <https://www.wsj.com/articles/SB10001424052970203503204577036000854767804>.
8. Gregory L. White, *Q&A: Russia's Mikhail Fridman*, WALL ST. J. (June 29, 2012, 8:13 AM), <https://www.wsj.com/articles/SB10001424052702303649504577495852883865194>.
9. Gregory L. White, *Tycoon is All About Business – Alfa's Fridman, Flush After Selling TNK-BP Stake, Stresses Investing in Russia*, WALL ST. J. (Apr. 8, 2013, 6:51 PM), <https://www.wsj.com/articles/SB10001424127887324883604578396182485278220>.
10. John Aglionby, *Profile: Mikhail Fridman – from rugs to riches*, FIN. TIMES (Mar. 2, 2015) <https://www.ft.com/content/c5aafbe6-c0bf-11e4-876d-00144feab7de#axzz3hqmiAWh6>.
11. Guy Chazan, *Lunch with the FT: Mikhail Fridman*, FIN. TIMES (Apr. 1, 2016), <https://www.ft.com/content/9527e2be-f5b5-11e5-96db-fc683b5e52db>.
12. Stephen Bierman, Ira Reznik & Gregory White, *When Tillerson Looked Into Putin's Eyes, He Found Black Gold*, BLOOMBERG (Dec. 21, 2016),

<https://www.bloomberg.com/news/articles/2016-12-21/when-rex-tillerson-looked-into-putin-s-eyes-he-found-black-gold>.

13. Henry Meyer, Stephanie Baker & Irina Reznik, *Putin Critics Are Advising the U.S. on Its New Oligarchs List*, BLOOMBERG (Jan. 26, 2018, 6:49 AM), <https://www.bloomberg.com/news/articles/2018-01-26/kremlin-foes-advise-u-s-on-sanctions-as-oligarch-list-looms>.

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LEADER (U.S.) | TOUGH TACTICS

# As Russia Squeezes Big Business, A Tycoon Decides to Pick a Fight

Mikhail Fridman Takes On Putin's Telecom Minister; Avoiding Another Yukos

By Gregory L. WhiteStaff Reporter of THE WALL STREET JOURNAL

Updated Oct. 6, 2005 12:01 a.m. ET

MOSCOW -- Two have fled the country. Another is in jail, his oil empire in ruins. Russian President Vladimir Putin has largely succeeded in his campaign pledge to make oligarchs -- the powerful tycoons who emerged in the chaos of post-Soviet Russia -- disappear "as a class."

Now, most of the country's super-rich are either packing up or hunkering down and trying to stay on the government's good side.

Except Mikhail Fridman. Using bare-knuckles business tactics, the 41-year-old built an \$8 billion empire spanning oil, telecoms, banking and retail. Now, he's picking a fight with Leonid Reiman, Russia's telecommunications minister and a longtime Putin friend.

Last fall, lawyers for units of Mr. Fridman's Alfa Group lined up Anthony Georgiou, a former Reiman partner, to provide testimony to a British Virgin Islands court that he'd paid over \$1 million in bribes to Mr. Reiman. He testified that the payments happened when the future minister was a top executive at a Russian state phone company in St. Petersburg in the early 1990s. Based in part on allegations raised in the case, German prosecutors have opened an investigation into whether Western banks facilitated any criminal activity.

Mr. Reiman has strenuously denied any wrongdoing, and late last year accused Alfa of smearing him to prevail in a business dispute. "Alfa, because it's an old oligarchic structure, is trying to use the traditional means by which they've resolved conflicts many times over many years -- by putting pressure on officials," Mr. Reiman told reporters.

In fact, Mr. Fridman makes little pretense that this is just about clean government. He's in a vicious battle over a stake in Russia's No. 3 mobile-phone company. His lawyers are using the corruption charges to fight off a legal challenge from a Bermuda-registered investment fund that claims it owns the stake. Mr. Fridman has offered to drop the lawsuits if the other side agrees to settle.

In Russian business, where hostile takeovers often involve burly men with masks and submachine guns, toughness has long been a key to success. But Mr. Fridman, whose hardball tactics are legendary, is charting a lonely course of resistance at a time when the state is increasingly squeezing private business.

"It's our style, our strategy and we're not changing it. We do a lot of things that might seem aggressive to some people," the baby-faced Mr. Fridman says with a smile, sitting in his spartan white office in downtown Moscow.

So far, Alfa has managed to avoid trouble with the Kremlin itself. Mr. Fridman has tried to insulate himself by hiring former top government officials as advisers, including Pyotr Aven, a former trade minister and an old friend of Mr. Putin who meets the president regularly.

Mr. Fridman says he's careful to avoid anything that the Kremlin would see as a challenge to its control of national politics. That's widely believed to be what got billionaire Mikhail Khodorkovsky in trouble: He was contributing tens of millions of dollars to a broad range of political parties. He's now serving an eight-year prison sentence on fraud and tax-evasion charges. His OAO Yukos oil company was slapped with \$28 billion in back-tax claims and largely nationalized last year.

Where Mr. Khodorkovsky was often openly critical of the Kremlin during his frequent trips to the U.S., Mr. Fridman is much more careful. In January, he flew to New York to open a lecture series his bank endowed at the Council on Foreign Relations. The speaker was Russian Defense Minister Sergei Ivanov, a Putin confidante and a man frequently tipped as a potential presidential successor. Mr. Fridman introduced him as "an outstanding politician."

Alfa also has lined up some high-profile insurance. The oil company it controlled is now half-owned by BP PLC, in a deal for which Mr. Fridman made sure to get public backing from Mr. Putin and United Kingdom Prime Minister Tony Blair. In the wake of the Yukos case, which has battered business confidence and badly tarnished Mr. Putin's international reputation, Mr. Fridman says he doesn't think the Kremlin will risk another open clash with big business.

Still, these days every new back-tax claim against a company linked to Alfa spurs a wave of speculation in the local press that Mr. Fridman is about to face the same fate as Mr. Khodorkovsky.

A devoted movie and theater buff, Mr. Fridman is also known to take a turn at the piano at Color of the Night, the Moscow jazz bar he owns. He still looks a bit like the nerdy kid from school, his brown hair untouched by grey. The self-described adrenaline junkie has a taste for adventure that extends beyond the office to annual off-road rallies through the jungles and deserts of Africa, Asia and Latin America.

### Limited Information

Public information about the Alfa Group is limited, since it's a private company owned by Mr. Fridman and two university friends. Run roughly like a giant private-equity fund, the group holds assets valued at about \$20 billion, says Mr. Fridman, who adds that his stake is "more than 40%." The assets are owned by a complex web of holding companies located in discreet offshore jurisdictions like Gibraltar. Managers of the various businesses -- banking, oil, trading, retail and telecoms -- own minority stakes in the individual units, sometimes alongside outside partners.

"We're financial investors," says Mr. Fridman, who keeps an apartment in downtown Moscow and commutes regularly to Paris, where his wife and two daughters have lived since the early 1990s. "We don't consider ourselves experts in the industries we're in."

Colleagues say Mr. Fridman led the group's push in the late 1990s into the oil business, which now delivers most of the profits. Telecom has been the focus for expansion since then -- Russia has been among the world's fastest-growing wireless markets for the past several years. Mr. Fridman says he aims to cobble his stakes in the region together into a regional network and then negotiate an equity alliance with a global player like Vodafone Group PLC.

For Mr. Fridman, a Jewish kid from Lvov in what's now Ukraine, persistence has long been a business signature. As a student in Moscow in the 1980s, he says he was blocked from continuing his studies because of anti-Semitism in the Soviet education system. So he started a window-washing cooperative, becoming one of the first to take advantage of the chance to open a private business.

After the collapse of the Soviet Union in 1991, he built his fortune trading everything from Oriental rugs to Cuban sugar to Russian crude. As the government began privatizing thousands of state companies, Mr. Fridman pushed the group into the oil business. He lined up two Russian partners who helped cobble together a patchwork of formerly state-owned companies into a group they called Tyumen Oil Co., known by its Russian abbreviation TNK.

It was a heady time for Mr. Fridman and his fellow oligarchs. They'd made millions as capitalism was just taking root in the early 1990s and used their fortunes to build vast political clout. In 1996, Mr. Fridman and a handful of tycoons teamed up to finance President Boris Yeltsin's 1996 re-election campaign. Using their close connections with the Kremlin, they snapped up the country's richest assets in often-rigged privatizations and, in some cases, were awarded with top government jobs. Boris Berezovsky, for example, whose interests ran from oil to television, was named deputy secretary of Russia's powerful Security Council.

Along the way, Alfa cemented its reputation for aggressive tactics. Alfa often took advantage of gaps in the bankruptcy law that allowed small creditors to take control of debtor companies.

Officials at Norex Petroleum Ltd., a small Canadian oilfield-services company, contend Alfa went a step further in 2000, when it moved to take control of a Siberian joint-venture Norex had with a TNK unit. In a lawsuit filed in U.S. District Court in New York, Norex alleges that TNK took over with 20 machine-gun-toting guards. One executive was quoted in the lawsuit as saying that a top Alfa official vowed to "run over [the company] like a steamroller" if they resisted. Alfa says it's confident that its takeover of the company was legal but won't comment on details of the case, which hasn't yet gone to trial. Norex is seeking to recover \$1.5 billion.

But even as Alfa was still throwing its weight around, twilight was setting in on the era of the oligarchs. Mr. Putin came to power in 2000 vowing to reassert Kremlin authority. Within a year, two of the most politically influential oligarchs, Vladimir Gusinsky and Mr. Berezovsky, had left the country under threat of prosecution, leaving the bulk of their empires behind. Oil tycoon Roman Abramovich quietly began selling off his holdings and spent more and more time in London, where he bought Britain's Chelsea soccer team. Last month, state gas company OAO Gazprom announced a deal to buy the oil company he controls, OAO Sibneft, for \$13.1 billion.

Sensing the winds shift, Mr. Fridman realized he needed to move fast to get a foreign partner for TNK, a move that would provide both political insurance and cash. "We knew at some point that opportunity would be gone," he says.

Tempted by Siberia's vast reserves, BP was already on the prowl for a Russian deal. But Alfa had to rebuild relations with the British giant that had soured in the late 1990s when Alfa, in a battle with another oligarch, stripped key assets out of BP's previous investment in Russia. Mr. Fridman patched things up with BP CEO John Browne. BP wound up paying \$7 billion in 2003 for half of the oil company Alfa owned with two partners. "There is a toughness built into the culture of Russia," Mr. Browne said at the time. "You have to cooperate."

Mr. Fridman's timing was impeccable. Although analysts touted the BP deal as the first of many foreign investments in the oil patch, the Kremlin soon closed the door on such big deals with foreigners and geared up to attack Yukos.

But it wasn't long before Mr. Fridman got into a government-relations mess of his own. In a complex series of transactions in the summer of 2003, Alfa had bought a 25% stake in Megafon, Russia's No. 3 cellphone company. The stake had previously been owned by LV Finance, an investment firm controlled by Leonid Mayevsky, a former legislator.

Within days, a little-known Bermuda investment fund called IPOC International Growth Fund Ltd. contested the sale, claiming it was entitled to the shares under a pair of option agreements dating to 2001. IPOC went to court in Bermuda and the British Virgin Islands, where some of the Alfa companies holding the Megafon shares were registered. IPOC also launched arbitration proceedings against LV Finance in Switzerland, where the 2001 option agreements had been executed.

Lawyers for LV Finance, cooperating with Alfa's legal team, argued IPOC hadn't properly paid for the options. They also sought to convince the courts that IPOC was in effect a criminal enterprise, thereby rendering any of its contracts illegal and voiding its claim to the Megafon shares.

In written arguments in the BVI case, Alfa lawyers asserted that an affidavit from former IPOC President Vidya Sharma showed IPOC was "simply a front for laundering the proceeds of criminal conduct in Russia for...Leonid Reiman."

Alfa lawyers argued in court papers in the BVI that IPOC was part of a complex network of companies that served to conceal Mr. Reiman's ownership of large stakes in Russian telecom companies, including Megafon. They alleged the fund got its money from corrupt dealings in Russia involving the minister.

IPOC denied the allegations and accused Alfa of paying witnesses. In fact, Alfa did pay \$7 million to Mr. Georgiou, the former partner of Mr. Reiman. Alfa said the payment was to buy out most of Mr. Georgiou's Russian businesses, which he feared would suffer after his testimony.

Mr. Reiman denies any wrongdoing. Jeffrey Galmond, a Danish lawyer who has known Mr. Reiman since the late 1980s, has testified that he's the owner of IPOC and its related companies -- holdings that could be worth more than \$1 billion. He says the corruption allegations are just an effort to distract from what he says is Alfa's fraudulent acquisition of the shares.

"It looks to me as an attempt simply to crush a competitor by Alfa," he told a civil proceeding in Geneva last year. "They are all over the place and there is, in my personal opinion, no limit to what they are capable of doing."

The conflict has been tense. At the Geneva hearing, the presiding arbiter complained his house was being watched and his garbage searched. He said police told him the surveillance was linked to the case, although the culprits were never caught. Acting on an IPOC complaint, Russian police are investigating possible fraud charges against Mr. Mayevsky for his role in the Megafon share sale. He briefly fled Russia to avoid arrest.

Mr. Galmond says he got the money for IPOC from a series of lucrative deals in Russian telecoms and real estate in the 1990s. In court testimony, he admits that Mr. Reiman's work "played an important part in the creation of my own success and wealth," but says that took place before Mr. Reiman became minister. Mr. Galmond acknowledges he bought a summer house on the Danish coast in 1993 that he says he and Mr. Reiman shared, but denies any wrongdoing.

Court rulings are still pending in most of the cases. Prosecutors in Frankfurt, tipped off in part by the allegations from Alfa and LV Finance, are already investigating whether Germany's Commerzbank AG, which worked with Mr. Galmond, was involved in money laundering as a result, according to a spokesman for the prosecutor. Commerzbank denies it broke any laws, but a senior executive involved in the case resigned this summer and the bank has vowed to tighten internal oversight.

### No Signs of Concern

So far, the Kremlin is showing no sign that it's concerned about the allegations. Last year, Mr. Putin even took the unusual step of intervening to restore Mr. Reiman's ministerial job when he was about to lose it in a government reshuffle. He'd left nearly all the other appointments to his prime minister to decide.

As the grudge match dragged on, some of Alfa's other investments in Russia ran into trouble. In December, telecoms company OAO Vimpelcom, in which Alfa owns a big stake, was told it owed \$160 million in unpaid taxes and fines. Vimpelcom's American depositary receipts, which trade on the New York Stock Exchange, plummeted 30% in two days. The company later got the tax claim sharply reduced and the stock has recovered. And in April, authorities slapped Alfa's main oil investment with \$790 million in back-tax claims for 2001.

But unlike Yukos, which was crippled by tax assessments and saw executives jailed, tax and regulatory problems so far haven't fazed Alfa or its companies. The regulatory issues have cleared up and in August, TNK-BP said it settled the tax claims for \$250 million. Auditors are still looking at company taxes for 2002 and 2003.

Mr. Fridman says the Megafon fight is worth it: He estimates Alfa's stake is now valued at about four times the \$300 million he paid for it in 2003.

"We understood that there would be unhappiness on the part of certain bosses in the telecommunications ministry, but we were ready for that," Mr. Fridman says, adding that Alfa's legal position is "ironclad."

—David Crawford in Berlin contributed to this article.

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# THE WALL STREET JOURNAL.

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## Boardroom Brawl Roils BP's Russia Venture --- Talks Break Down; Kremlin's Role Murky

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Gregory L. White and Guy Chazan,  
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MOSCOW -- BP PLC ([javascript:void\(0\);](#)) thought it had cracked the code of doing business in Russia. Now its Eastern front is crumbling.

The British oil major's \$7.6 billion TNK-BP Ltd. joint venture has been wracked for weeks by escalating, open warfare between BP and a group of Russian billionaires that owns half of the company. On Wednesday, talks between the co-owners broke down, after the British side rejected the Russian camp's proposals to resolve the dispute.

The Russian owners, who demand the ouster of the venture's BP-appointed chief executive, said Wednesday they are planning legal action to defend their interests. Each side accuses the other of trying to wrest control over the company by stealth.

BP's Russia dilemma is a familiar one to Western oil majors as they seek to expand overseas: All must balance the desire to control their operations with the necessity of not rocking the boat in host countries that are increasingly protective of their resources.

For its expansion into Vladimir Putin's Russia, BP took an aggressive course. Unlike other Western oil companies that kept their distance from the Russians by seeking minority stakes or management control, BP went native. It formed a 50-50 joint venture with the local billionaires, aggressively courted the Kremlin and effectively became a Russian company.

The approach looked golden for several years, as BP gained the kind of foothold in Russia -- the world's No. 2 oil exporter -- that has eluded rivals. The Russian venture has accounted for one-quarter of BP's global production in recent years.

BP says it isn't losing hope of reaching an agreement with its co-owners. "I believe there will be a deal," said Tony Hayward, BP's chief executive. "But it's going to take some time."

BP offered in recent weeks to buy the Russians out. Publicly, the Russians say they have no plans to sell, but people close to the talks say they've discussed the possibility of swapping their TNK-BP ([javascript:void\(0\);](#)) shares for shares of BP. The British side has said that as part of such a deal, it would quickly resell a majority stake in TNK-BP ([javascript:void\(0\);](#)) to a Russian state-owned giant such as OAO Gazprom. ([javascript:void\(0\);](#)) to a Russian state-owned giant such as

BP's bear-hug strategy was a gamble from the beginning. In the late 1990s, the company was embroiled in a string of commercial catfights with three Russian billionaires -- Mikhail Fridman of Alfa Group ([javascript:void\(0\);](#)), Len Blavatnik of Access Industries and Renova's Viktor Vekselberg. The trio had used Russia's weak courts to seize assets from BP's Russian venture, a company called Sidanko. BP lined up support from top officials in Washington and London but still wound up writing off half of its investment.

Yet in 2003, BP decided to team up with a holding company owned by the same three businessmen, called AAR, to create a British-Russian oil giant. "Of course we had qualms, given the history," says a BP executive. "But sometimes you don't get the chance to choose your partners. It was the only deal available."

The deal soon looked like a strategic triumph for BP's then-CEO, John Browne. For \$7.6 billion, BP got a 50% stake in one of Russia's biggest producers, Tyumen Oil Co. ([javascript:void\(0\);](#)), or TNK. Vital for both sides was Mr. Putin's public approval of the pact. He presided over the signing ceremony with British Prime Minister Tony Blair.

Lord Browne was aware of the risks. "There is a toughness built into the culture of Russia," he said at the time. "You have to cooperate."

Production at TNK-BP ([javascript:void\(0\);](#)) took off. The joint venture provided desperately needed new reserves for BP. Surging dividends from the operation paid off the British major's investment in less than five years.

BP and its partners had agreed to share management duties. BP had the right to nominate the venture's CEO, choosing Robert Dudley, a mild-mannered Illinoisan and veteran of U.S. oil major Amoco. Two key slots in top management went to Russian shareholders -- Mr. Vekselberg and German Khan, a founding partner of Mr. Fridman's Alfa Group ([javascript:void\(0\);](#)), who was known for his toughness and a fiery temper. A confidential shareholders' agreement detailed specific powers for each executive. Mr. Khan, for example, was given control over government relations, legal affairs and security.

"In a normal corporation, the CEO can order his subordinates to do what he wants," said one person who was involved in the process. "But in this company, he can't."

A top BP executive warned at the time that it would be "a big mistake" to let Mr. Khan into management. But the concession was necessary to close the deal. Mr. Khan declined repeated requests for comment.

Tuesday-afternoon meetings of the management board turned into marathon battles, according to participants. "There was a lot of screaming," said one. This person recalled that Messrs. Khan and Vekselberg would fight Mr. Dudley over corporate policy and strategy late into the night.

They argued over the deal's payment terms. BP had agreed to pay half the venture's price to the Russian partners in three annual payments of BP shares. BP viewed the arrangement as a way to keep the Russians committed to the business. The Russians, unwilling to tie up so much money in BP stock, found an investment bank to convert the promised payments into cash up front. BP officials saw that move as bad faith.

Still, TNK-BP ([javascript:void\(0\);](#)) thrived as oil prices surged. Production grew by as much as 13% a year thanks to a BP-provided technology that helped get more crude from aging fields. In 2005, the Russian billionaires each taped warm greetings for a birthday DVD for Mr. Dudley, hailing his performance, says a person who saw it.

Around the same time, the Kremlin was asserting control over Russia's oil patch. A government inquiry into tax evasion and fraud at OAO Yukos ended in the effective nationalization of the big private oil company. In 2006, environmental regulators threatened to shut down a vast oil and gas project off the Far East island of Sakhalin operated by Royal Dutch Shell PLC. ([javascript:void\(0\);](#)) Shell was forced to sell half its stake to state-owned Gazprom. ([javascript:void\(0\);](#)) Shell was forced to sell half its stake to state-owned

BP, meanwhile, was courted by the Kremlin's favor, seeking to lend legitimacy to the state public oil and gas industry. In 2006, it spent \$1 billion to buy shares in the initial public offering of Rosneft, the state oil company, helping make the sale a success. [TNK-BP \(javascript:void\(0\);\)](#) also took part in a controversial 2007 auction of assets from Yukos.

Such Kremlin ties helped BP, government and company officials say. [TNK-BP \(javascript:void\(0\);\)](#) was hit with a big back-tax claim in 2005, sparking fears it would meet the same fate as Yukos. But the Kremlin stepped in and the bill was reduced, a former senior Russian official says.

Tensions continued to simmer between the venture's partners, however. Russia's tightening grip over energy meant new opportunities there were limited for a half-foreign-owned company. The Kremlin, meanwhile, was encouraging local tycoons to expand overseas.

A person close to BP said the venture's Russian partners proposed refining and distribution projects in Poland, Lithuania and beyond, contending that doing so would please the Kremlin. BP's representatives on the board of directors shot them down, arguing that [TNK-BP \(javascript:void\(0\);\)](#) had more promising projects in Russia, both sides confirm.

The Russian shareholders insist the foreign deals were attractive. They say BP has resisted because it doesn't want to see [TNK-BP \(javascript:void\(0\);\)](#) as an international competitor.

Tensions rose last fall when Mr. Dudley rolled out a five-year plan for the venture. He warned that output would be stagnant until new projects come on line after 2009, and high taxes and surging costs would cut into profits. New developments would require heavy investment. Shareholder returns in 2008 would be 4%, less than half of past years' levels. BP officials described the drop as natural in a cyclical business.

The Russian shareholders, used to 20%-plus returns from their other businesses, were livid. They say they suspect Mr. Dudley was running [TNK-BP \(javascript:void\(0\);\)](#) in the interests of his ex-employer BP. Mr. Dudley was less focused on [TNK-BP \(javascript:void\(0\);\)](#)'s profit, they say, than on the reserves and production that the venture contributes to BP's own profile.

"There's a strategic conflict of interests between [TNK-BP \(javascript:void\(0\);\)](#) and BP itself," Mr. Fridman said in an interview.

The Russian shareholders refused to approve the business plan -- and began to push privately for the removal of Mr. Dudley. "We had a company that was strong, energetic and aggressive in the good sense of the word," Mr. Fridman said. "BP turned it into a typical bureaucracy."

The push against Mr. Dudley picked up in October 2007, when President Putin complained to legislators about a dearth of Russians in top positions at the country's biggest natural-resource companies.

"Our partners came in immediately waving a copy of speech, saying we need to get rid of the foreigners," said a person close to BP.

Roughly 300 foreigners were then working at [TNK-BP \(javascript:void\(0\);\)](#), most with rich pay packages that the Russian shareholders said were demoralizing to local staff. BP said the foreigners, a tiny minority in a company of 60,000 employees, provided vital skills.

Executives appointed by the Russian shareholders ordered security workers to block some expatriate workers' access to their offices. They slashed the number of government work permits the company sought for foreigners. Last month, an obscure Moscow brokerage provided an unusual assist: It argued to a court in the venture's home city of Tyumen that payments to BP employees seconded to [TNK-BP \(javascript:void\(0\);\)](#) amounted to illegal dividends to BP. The court forbade [TNK-BP \(javascript:void\(0\);\)](#) from paying these foreign workers.

[TNK-BP \(javascript:void\(0\);\)](#) was under siege on other fronts. On March 20, authorities announced they'd arrested a low-level employee on industrial-espionage charges. The next day, environmental regulators launched special checks of [TNK-BP \(javascript:void\(0\);\)](#)'s fields. A few days later, prosecutors investigated possible criminal charges in long-resolved back-tax cases.

Some industry analysts said the crescendo of complications looked like a repeat of the 2006 attack on Shell. BP officials believed they were still on the Kremlin's good side. They figured the Russian shareholders had instigated pressure from lower levels of the government.

Mr. Dudley and Mr. Khan, who sit in facing offices, were by now engaged in what one witness described as "a cold war."

"It's like trying to fly an airplane flat with people trying to grab the controls all the time," Mr. Dudley told people inside the company.

Late last month, Mr. Dudley took the shareholder conflict public with an interview in a Russian newspaper. Days later, before a board meeting in a hotel in Limasol, Cyprus, BP's representatives demanded the removal of Mr. Khan and allies who run the security and legal departments, citing "gross insubordination."

The Russian shareholders responded by calling for Mr. Dudley's removal.

Directors friendly to BP -- who account for five of the venture's 10 board seats -- refused to entertain the dismissal motion. The Russian shareholders decamped, leaving the board meeting without a quorum.

BP viewed AAR's criticisms as smokescreens. The Russians' real agenda, according to several officials close to BP, was to wrest control of the venture to strengthen their hand in possible talks to sell out to a state company like [Gazprom. \(javascript:void\(0\);\)](#)

"They're faced with the problem of how do they get value, liquidity and an exit," says one BP official.

The Russian shareholders say they want to stay in the business. They say they want to raise the value of their stake by expanding internationally and improving management.

Last week, the Russian shareholders proposed a deal giving them the option to swap their [TNK-BP \(javascript:void\(0\);\)](#) shares to BP for stock in the British company to better align their interests. Such a deal would leave BP with majority control of a Russian oil company. People close to BP say they would consider such a proposal only if the Kremlin would bless it, and offer to immediately allow BP to sell control of [TNK-BP \(javascript:void\(0\);\)](#) to a state company.

The Russian shareholders accuse BP, meanwhile, of discussing the fate of their stake in its secret negotiations with [Gazprom. \(javascript:void\(0\);\)](#) People close to BP confirm the discussions.

The confrontation has been the most serious strategic challenge to Mr. Hayward, the pragmatic and low-profile BP veteran who replaced Lord Browne as CEO last year. In private, Mr. Hayward and his colleagues were livid about their partners' behavior. Mr. Hayward called Mr. Fridman and the others repeatedly to complain. BP officials also bemoaned their plight to Russian officials, but got little sympathy.

Mr. Hayward didn't want to go on an open offensive, for fear of jeopardizing BP's good relationship with the Kremlin, say people close to the company.

On June 5, a week after the blow-up at the Cyprus board meeting, Mr. Hayward headed to Moscow on a previously scheduled trip. He hoped to meet top government officials, as well as the Russian shareholders, to work a way out of the impasse. Mr. Hayward kept his public comments deferential.

Mr. Hayward complained more openly in a private meeting with Igor Sechin, who is the chairman of the board of Russian oil major Rosneft's board and, as deputy prime minister, Russia's top oil official. Mr. Hayward told him that BP's Russian partners were causing havoc at [TNK-BP. \(javascript:void\(0\);\)](#) According to people familiar with the meeting, Mr. Hayward cited BP's suspicions that the partners were behind the lawsuits and other pressure.

Mr. Sechin, a close confidant of Mr. Putin who is considered one of Russia's most influential people, called in Mr. Fridman and another partner from Alfa. After both sides laid out their versions of the conflict, Mr. Sechin promised BP that while he could only do so much, he would try to prevent the most extreme misuses of regulators and courts. But he told both sides that they were "big boys and would have to sort it out," according to a person familiar with the meeting.

Mr. Sechin declined repeated requests for comment.

Mr. Hayward and his colleagues emerged from that encounter encouraged that their position had been heard. The Alfa partners interpreted Mr. Sechin's warning as a formality, say people familiar with their thinking.

"Mr. Hayward is a new CEO and it's not easy for him," says Mr. Fridman. "That's one of the fundamental reasons for the difficulties."

BP's message clearly wasn't getting through. Top Russian officials echoed Russian shareholders' allegation that BP was holding back TNK-BP (javascript:void(0);) from international expansion to avoid competition. A senior government official told reporters BP "probably did not understand who they formed a partnership with." He warned that pressure on the company was likely to increase, suggesting that BP's efforts to get the Kremlin to help rein AAR in had failed.

Pressure on the venture resumed early this week, when prosecutors demanded boxes of personnel records, responding to a complaint by a union about overpaid expatriate workers of TNK-BP (javascript:void(0);)

The next day, Mr. Dudley spent five hours with investigators being questioned about a back-tax case concerning the venture's Russian predecessor company. BP says it is still hoping AAR will accept its proposals, including a move to restructure TNK-BP (javascript:void(0);)'s management and an arrangement to ease out Mr. Dudley.

Mr. Fridman says the Russian shareholders want to replace management at TNK-BP (javascript:void(0);) with new, independent executives, and add outside directors to the board. "We don't plan to leave and I don't think that they plan to leave," Mr. Fridman said. "So ultimately we're destined to come to some agreement."

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#### A Troubled Venture

- February 2003: BP announces new Russian oil joint venture, TNK-BP (javascript:void(0);), with three Russian billionaires
- June 26, 2007: BP agrees to sell stake in Siberian gas field to Gazprom (javascript:void(0);) and form global joint venture
- March 19, 2008: Russian security services raid offices of TNK-BP (javascript:void(0);) and BP in Moscow
- March 21: Russia's environmental watchdog says it's launching a probe of TNK-BP (javascript:void(0);)'s biggest oilfield
- March 25: Interior Ministry says it's investigating a tax-evasion case against one of TNK-BP (javascript:void(0);)'s former units
- May 13: TNK-BP (javascript:void(0);) says a Siberian court, acting on a Moscow brokerage's request, has issued an injunction preventing BP specialists from working in Russia
- May 26: TNK-BP (javascript:void(0);) CEO Robert Dudley admits publicly that TNK-BP (javascript:void(0);)'s Russian and British shareholders have disagreements
- May 27: Russian shareholders issue statement admitting to differences with BP on strategy, slamming Dudley for going public
- May 30: Russian partners demand Dudley's ouster, scheduled board meeting fails to take place
- May 31: Russian Prime Minister Vladimir Putin says he warned BP about the risks of setting up a 50-50 joint venture in Russia
- June 5: Russia's deputy prime Minister presides over talks between BP CEO Tony Hayward and two Russian shareholders of TNK-BP (javascript:void(0);)
- June 6: Hayward meets Mikhail Fridman, one of the Russian partners
- June 8: A Russian government official says BP's conflict with its Russian partners is likely to get worse
- June 10: Dudley questioned as a witness by the Russian Interior Ministry in a tax investigation
- June 11: Talks between BP and its Russian partners break down. The Russians say they will sue BP



**ROBERT DUDLEY**



**Tony Hayward**



**German Khan**

### Behind the Pack

Oil-stock performance compared with Russia's benchmark RTS index since TNK-BP started trading



Notes: Local-currency terms; TNK-BP's last trading day was Friday June 6; weekly data  
Sources: Thomson Reuters; WSJ Market Data Group

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## BP, Russian Partners Vie For Control of Oil Venture

Advertisement

By Peter Finn  
Washington Post Foreign Service  
Tuesday, June 17, 2008

MOSCOW, June 16 -- A bare-knuckles boardroom battle has broken out between the British oil giant BP and its Russian partners over the direction and control of a prized joint venture, TNK-BP, which is [Russia's](#) third-largest oil producer and a key source of oil reserves for the international energy giant.

Mikhail Fridman, one of the Russian partners, charged Monday that BP had stifled growth at TNK-BP by treating it as a subsidiary rather than an independent company. He demanded sweeping changes in management.

BP officials countered that the Russians orchestrated tax investigations and a recent raid by domestic security agents on the company's offices. By using such pressure tactics, BP contended, the Russian partners were attempting to wrest as much control as possible in advance of a sale of their stakes to a state-controlled company such as Gazprom or Rosneft.

"This is just a return to the corporate-raiding activities that were prevalent in Russia in the 1990s," Peter Sutherland, BP's chairman, told reporters in Sweden last week.

The fight is being closely watched by foreign investors to see if and how the Kremlin will intervene and whether BP's investment will be protected. In recent years, Gazprom has seized majority stakes in a number of foreign-controlled energy projects that had become the targets of potentially crippling investigations by state agencies.

In a news conference Monday, Fridman laid out a list of grievances, including what he called TNK-BP's dismal performance compared with other Russian energy companies' and BP's rejection of 20 international projects on grounds that they would compete with other BP projects. He denied that the Russian partners wanted to cash out their stakes. "We're not selling anything, and nobody's approached us," he said.

Fridman said he and his partners would file suit in Russian court to stop TNK-BP's annual general meeting on June 26 and would look for "legal means" to dismiss TNK-BP's chief executive, Robert Dudley, whom BP strongly backs.

"Any other board would have dismissed its CEO a long time ago, and any other 50 percent shareholder would have initiated legal action to ensure that directors perform their fiduciary responsibility," Fridman said. "We need foreign investors that will help ensure the growth of Russian companies, not constrain their development."

He said TNK-BP should have a chief who is "an independent head of an independent company and not a BP branch as is the case now."

TNK-BP is a 50-50 venture between BP and three Russian entities: Alfa Group, of which Fridman is chairman; Renova Group; and Access Industries.

During Vladimir Putin's eight years as president of Russia, many business leaders who made their fortunes in the turbulent 1990s faced exile or court action, notably Yukos Oil founder Mikhail Khodorkovsky, who is in prison for tax evasion. BP's partners, in contrast, all prospered during the Putin years.

The venture was set up in 2003; BP's initial investment was \$7.5 billion. But neither side has a controlling stake, and long-simmering disputes burst into the open when Dudley said the Russian partners were responsible for some of the company's problems with the authorities, including tax investigations and visa problems for foreign employees.

The Russians responded by demanding Dudley's dismissal. BP refused.

In a recent interview with the French newspaper Le Monde, Putin, now Russia's prime minister, said he warned BP that the 50-50 formula was a recipe for conflict. "I told them: 'Don't do it. Agree to one of you having a controlling stake,'" he said. "They will always have frictions over who is the boss."

The Russians said they wanted to staff the company's headquarters in Moscow with managers hired directly by TNK-BP, not personnel assigned by BP. And they want equal representation on the board.

BP officials accuse their Russian partners of orchestrating investigations by state agencies to maximize their leverage in advance of cashing out their stakes. The venture is now worth at least \$40 billion.

In recent weeks, agents of the FSB, the domestic security agency, raided TNK-BP as part of an investigation in which a senior manager was arrested on charges of industrial espionage. The company has also been subject to tax and labor probes, and Dudley was questioned at length by investigators.

Officials at BP have accused German Khan, TNK-BP's executive director, of deliberately ignoring Dudley's instructions and requesting too few work permits for expatriates in order to reduce the number of BP managers at the venture. Some BP employees were prevented from entering TNK-BP's Moscow headquarters by security guards.

Putin has said that strong-arm corporate tactics of this kind are "relics of the 1990s," Sutherland noted last week, "but unfortunately our partners continue to use them and the leaders of the country seem unable or unwilling to step in."

Fridman said Sutherland was attempting to characterize a genuine dispute over strategy as a stand-off between an "upstanding Western company and wild hordes of Russian oligarchs," as Russia's tycoons are often called.

He described the various probes as routine. "Actually, life is proceeding as usual at the company; there are always inspections," he said. "In addition to Dudley, about 20 other employees have been called in for questioning . . . but nobody is talking about this."

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## EUROPEAN BUSINESS NEWS

## At Russia's Alfa, Hardball Still Reigns

Downturn Has Chastened Other Oligarchs, but Mikhail Fridman Hasn't Eased Aggressive Tactics

By Gregory L. White

Updated June 2, 2009 12:01 a.m. ET

MOSCOW -- The financial crisis has taken the swagger out of many of Russia's billionaires, forcing them to beg for government bailouts and breaks from their creditors as they scramble to save their empires.

But not Mikhail Fridman, whose Alfa Group is sticking to the hardball business tactics that made him into one of Russia's richest men, and a focus of critics who say Russia's weak courts and the tacit support of the Kremlin can benefit local companies at the expense of foreign investors.

"I wouldn't call us aggressive, I'd say we're dynamic and we energetically fight for our interests," Mr. Fridman says in a phone interview. "Not everybody likes that."

Last week, BP PLC asked him to take over as acting CEO at TNK-BP Ltd., ceding more control after a bitter conflict over management and strategy at the oil venture last year. Alfa is the leader of a group of Russian investors who own half of TNK-BP.



Mikhail Fridman, left, with Russian presidential aide Arkady Dvorkovich in April. REUTERS

Days earlier, Norway's prime minister was in Moscow complaining to Russian counterpart Vladimir Putin about troubles faced by state-owned telecommunications company Telenor AS A at a Russian operation where its partner is Alfa. Mr. Putin said it was a commercial matter for Alfa and Telenor to

resolve. Telenor has charged Alfa with trying to take its stake, which Alfa denies.

Inside Russia, an Alfa-owned bank has filed a string of bankruptcy suits against major borrowers, despite Kremlin calls to go easy on struggling industries owned by other oligarchs.

The net worth of 45-year-old Mr. Fridman has been hammered like the rest of Russia's tycoons, and when the crisis first hit last fall, Alfa faced problems with its own lenders. It narrowly escaped losing its major telecom asset to a margin call thanks to a Siberian court ruling that froze its shares just as creditors prepared to take them. A \$2 billion government bailout loan then eased its finances.

Critics charge Alfa's approach is a prime example of why many investors still steer clear of Russia. Last year, a New York judge ruling in the Telenor case cited Alfa's units for "their extensive and brazen history of collusive and vexatious litigation...used to avoid compliance with their legal obligations."

Even some of Alfa's partners say the group takes advantage of its political connections in Russia to manipulate regulators and use court rulings to pressure its rivals.

"This is just a return to the corporate raiding activities that were prevalent in Russia in the 1990s," BP's then-Chairman Peter Sutherland said at the height of the conflict last summer.

BP now denies any tension, but people close to TNK-BP note that Alfa appears to have gotten most of what it wanted when the conflict began.

Mr. Fridman says Alfa works within the law and dismisses the criticism as "PR" by Alfa's rivals. The group's foreign partners, he says, might complain about its tactics, but they're happy with their investments.

Russian officials say Alfa doesn't get special treatment.

Alfa's strategy has helped it grow into one of Russia's biggest business groups, spanning banking, oil, retail and telecoms. Mr. Fridman, who got his start in the 1980s with a window-washing business, won't comment on the value of his stake as the group's largest shareholder. Before the crisis, Alfa's assets totaled more than \$50 billion.

Telenor is in a tough spot. Russian bailiffs have started the process of selling off Telenor's main Russian investment -- a 29.9% stake in cellphone company OAO Vimpelcom -- to pay a judgment ordered by a Siberian court. Telenor officials say the court case is a pressure tactic culminating a five-year battle with Alfa over control at Vimpelcom, where Alfa owns a 44% stake, and a Ukrainian company the two own jointly. Alfa denies that.

Alfa's tough tactics aren't reserved for its foreign partners. Alfa Bank, Russia's largest privately owned lender, has been a leader in filing bankruptcy claims against struggling industries, provoking public complaints from other tycoons, such as metals baron Oleg Deripaska, who says that the bank's hard line is threatening efforts to revive his companies.

In March, when President Dmitry Medvedev and other top officials publicly blasted unnamed business groups for "corporate egotism" for taking a tough line with borrowers, many analysts expected Alfa to soften its stance. But even after a private meeting with the president, Mr. Fridman stuck to his guns.

"I didn't feel any pressure from the authorities," he says.

—Guy Chazan contributed to this article.

Write to Gregory L. White at [greg.white@wsj.com](mailto:greg.white@wsj.com)

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**(5)**

*The Gulf Oil Spill: Kremlin Ponders BP's Future in Russia*

The Wall Street Journal

June 18, 2010 Friday

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**Byline:** By Gregory L. White and Rebecca Blumenstein

**Body**

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ST. PETERSBURG, Russia -- President Dmitry Medvedev said the Gulf of Mexico oil spill could threaten the survival of BP PLC and prompt lasting changes in the global oil industry.

The Russian leader voiced support for BP, the largest foreign investor in his country's oil sector, but said it was too early to gauge the damage the company will suffer.

Asked in an interview Thursday if the spill affected his view of BP as a partner, Mr. Medvedev laughed nervously. "What I know is that BP will have to pay a lot of money this year," he said. "Whether the company can digest those expenditures, whether they will lead to the annihilation of the company or its breakup into pieces, is a matter of expediency."

The Kremlin is an important constituency for BP because the British giant's TNK-BP Ltd. venture in Russia represents almost a quarter of BP's global production. BP's Russian partners, who had sparred with the British company over management at the venture in recent years, last week came out publicly to defend BP's environmental performance amid the Gulf crisis. Mikhail Fridman, who leads the group of Soviet-born billionaires, said BP was much more concerned about environmental and safety issues than most Russian companies, adding, "I don't think there's a threat to the stability of the company in a purely financial sense."

A BP spokesman, meanwhile, cited President Barack Obama's comments Wednesday that it was in everyone's interest that BP remain a viable company.

Speaking of the industry in general, Mr. Medvedev said the Gulf spill would trigger a reassessment of risk and how to prevent massive accidents. Current international treaties don't cover huge spills, he said.

## The Gulf Oil Spill: Kremlin Ponders BP's Future in Russia

He called for international efforts to reduce the risks from such accidents and potentially insure against them, since the costs could conceivably overwhelm not just individual companies but also countries.

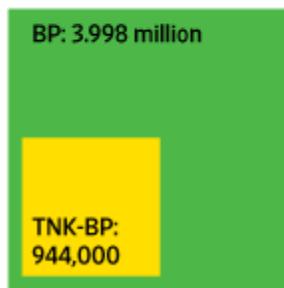
"I see a role for Russia to play in this," Mr. Medvedev said of the coming reassessment. "This is the first time all of us have faced a catastrophe like this."

### BP in Russia

TNK-BP a 50-50 joint venture between BP and its Russian partners. In 2009, TNK-BP accounted for 24% of BP's production, 14% of its profit and 20% of its proved reserves.

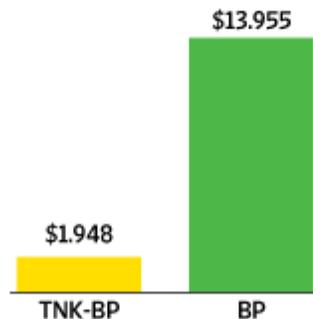
#### 2009 PRODUCTION

In barrels of oil equivalent a day



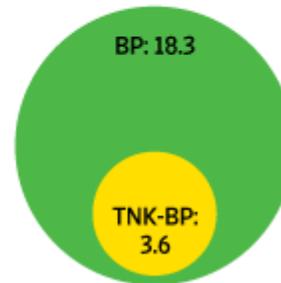
#### 2009 NET INCOME

In billions



#### 2009 PROVED RESERVES

In billions of barrels of oil equivalent a day



Source: BP, TNK, Bank of Russia

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## Notes

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**Business**

# BP's heralded deal with Russian oil giant Rosneft wilts, with deadline passing

By [Steven Mufson](#)

May 17, 2011

When Bob Dudley became chief executive of BP last year, his [Mississippi upbringing and American accent were seen as assets](#) in repairing the company's image following the massive oil spill in the Gulf of Mexico.

But no one said anything about how those assets would translate into Russian.

So far, not so well. In January, Dudley unveiled a deal with the state-owned Russian oil giant Rosneft to explore for oil and swap shares, linking the pair. It was hailed by analysts as a bold stroke to burnish BP's tarnished image, get the Kremlin's stamp of approval and obtain valuable new exploration prospects.

But on Monday night, the deadline passed without the deal closing.

Dudley had neglected to win support from Alfa Access Renova, the Russian partner in BP's existing TNK-BP joint venture, whose terms include the exclusive right to work with BP in Russia. Judging from what Russian leaders have been saying, Dudley also neglected to tell Prime Minister Vladimir Putin during a meeting.

AAR took its case to London, where an arbitration panel ordered BP to revise the Rosneft deal to include TNK-BP. The panel also rewrote the share swap accord. A BP adviser said the panel altered the exchange from being "the underpinning of a new relationship" into "a mutual fund investment."

Rosneft could still agree to revised terms, but that looks unlikely, said several people familiar with the negotiations in Moscow. The arbitration panel deal is complex, and there is no shortage of international companies eager to get a foothold in Russia's Arctic. At the very least, Rosneft needs time to reconsider.

"We felt that it was exactly the right move to rebuild the market's confidence in BP as a strong industry player," said Pavel Molchanov, oil analyst at Raymond James. However, he said, "all this has turned into a deeply unpleasant distraction, with recriminations flying in both directions." Now, he said, "the market will breathe a sigh of relief," thankful that BP is "turning the page on this unfortunate episode."

U.S. analysts and sources familiar with the dispute in Russia say that BP underestimated the determination of the AAR partners — led by one-time metallurgist Mikhail Fridman and his friend Peter

O. Aven — to fight the Rosneft deal, even though the state-owned firm's chief executive, Igor Sechin, is a longtime aide and ally to Putin.

Dudley has tangled with AAR before. In 2008, he unceremoniously finished a stint as head of TNK-BP, leaving Moscow amid disputes involving his visa, board members, contracts for expatriate workers, the size of dividend payouts, and whether TNK-BP would be allowed to bid for exploration contracts outside Russia. (BP did not want to compete with its own joint venture in other countries.)

Sources in touch with the TNK-BP board said Tony Hayward, who stepped down in the wake of the Gulf of Mexico spill but is on the TNK-BP board, missed two meetings after the Rosneft deal was announced, saying he had other engagements. The Russian partners interpreted his absence as a statement of disapproval of the deal, said sources, who asked for anonymity to protect their business relationships.

AAR was upset about being left out of the Arctic deal but also about BP's exchange of shares with Rosneft that would have given BP 9.5 percent of Rosneft and Rosneft 5 percent of BP. An adviser to BP said in that, in AAR's eyes, "it was like BP taking a new wife." AAR said it feared that BP would favor Rosneft in deals in which TNK-BP might have competed against Rosneft both in Russia and abroad. BP recently took in Rosneft as a partner in a German refinery.

But an oil industry source familiar with the Moscow negotiations said AAR learned of BP-Rosneft talks in December and that Fridman and Aven "manufactured a crisis" to force BP to buy out their half of TNK-BP at a premium price. The source said that Dudley explored "all kinds of options," including a purchase that would have involved cash, shares and a Rosneft stake, but that the Russian parties could not agree. BP believed that AAR wasn't really interested in the Arctic exploration, which wouldn't produce oil until later in the next decade.

[Back in 2008, the tone of the dispute](#) between BP and the Russian partners was bitter and the tactics heavy-handed. This time, it was legalistic. AAR hired the law firm Skadden, Aarps, Slate, Meagher & Flom and avoided angry rhetoric. With oil prices around \$100 a barrel, TNK-BP is laying golden eggs. BP bought its half of the venture for \$6 billion; BP and its Russian partners have each received about \$15 billion in dividends, including \$2 billion last year — not a bad consolation prize.

Fridman, the chairman of Alfa Group, who saw senior State Department and National Security Council officials during a visit to Washington last week, said, "AAR remains committed to the success of TNK-BP, one of the most dynamic and successful oil companies in the world." Dudley said in a statement that "it is gratifying that both BP and AAR have agreed to look beyond the disagreements of the past few months."

 **2 Comments**

**Steven Mufson**



Steven Mufson covers energy and other financial matters. Since joining The Washington Post in 1989, he has covered economic policy, China, U.S. diplomacy, energy and the White House. Earlier he worked for The Wall Street Journal in New York, London and Johannesburg. Follow

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**Market Watch**

<b>Dow 26,152.77</b>	Today  2.02%
<b>S&amp;P 2,810.02</b>	Today  1.98%
<b>NASDAQ 7,556.21</b>	Today  2.44%

Last Updated:3:40 PM 11/07/2018

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## BUSINESS

## TNK-BP Russian Partner Relishes Conflict

Taking Lessons from 'The Godfather,' Russian Billionaire Expresses Pride in 'Tough Relations With Our Partners'

By Gregory L. White

November 14, 2011

MOSCOW—For much of its eight-year history, Russian oil company TNK-BP Ltd. has seen its two shareholders at odds. BP PLC and a group of Soviet-born billionaires known as AAR have done battle in courtrooms and boardrooms from Siberia to the Caribbean.



AAR's German Khan says he and his partners 'believe in' the structure of TNK-BP, despite periodic disputes. DENIS ABRAMOV/VEDOMOSTI

That's a good thing, says German Khan, an AAR principal who insiders say essentially has run TNK-BP since the joint venture's BP-backed chief executive fled Russia during a row between the shareholders three years ago.

"I'm of the view that shareholder conflicts are good for companies," Mr. Khan says in a rare interview at TNK-BP's Moscow headquarters. "I've seen many conflict situations where managers started working better than in ordinary conditions."

Mr. Khan, 50 years old, has seen plenty of tension in his business career. He is one of the three founding shareholders of the Alfa Group, which grew from a window-washing cooperative in the waning days of the Soviet Union into a conglomerate with holdings in an array of sectors, including from oil, banking, retail and telecommunications.

Legendary for its often-aggressive tactics with partners, competitors and debtors, Alfa has been criticized for exemplifying Russia's bare-knuckle business environment.

But Mr. Khan—a slight, soft-spoken man who took up boxing as a child in Kiev, Ukraine, and as an adult has been said to carry a chrome-plated pistol under his sport coat—makes no apologies for Alfa's style. The group's holdings are now valued at more than \$25 billion.

"We try to set rather clear and tough relations with our partners and defend our rights in the legal situations that arise," he says.

TNK-BP often has been the battlefield for such relations. Alfa is the first 'A' and the dominant partner in AAR, which also includes Len Blavatnik's Access Industries and Viktor Vekselberg's Renova Group.

Early this year, AAR asked a London court to block a \$16 billion alliance that BP had negotiated with OAO Rosneft, a Russian state-controlled oil company. AAR said the deal would have violated exclusivity provisions in joint-venture agreement with BP. The court agreed, and BP was forced to scuttle the Rosneft deal. BP rival Exxon Mobil Corp. [XOM 0.68% ▲](#) ultimately made the deal with Rosneft instead.

Arbitration proceedings are under way with AAR. They could lead to TNK-BP suing the British giant for what AAR says are billions of dollars in damages from the failed deal. BP rejects that claim as groundless. Mr. Khan declines to comment on that dispute.

In BP's previous run-in with AAR, Bob Dudley, who then was chief executive of TNK-BP and now runs BP, had to leave Russia in 2008 amid a rising wave of pressure on foreign executives from regulators and courts in Russia. People close to BP blamed the problems on AAR, in particular, Mr. Khan. Mr. Dudley at the time said he held meetings on the balcony of his downtown Moscow office to avoid eavesdropping.

"It was a nice balcony," Mr. Khan recalls, saying he wasn't aware of eavesdropping. AAR has denied a role in pressuring BP. After Mr. Dudley left Russia, BP and AAR reached a truce in which the British giant gave up much of its direct influence inside the company.

"There's nothing personal here, it's just business," Mr. Khan says.

A BP representative says "occasional shareholder disagreements have not stopped [TNK-BP's] growth, and as shareholders we are very happy with the company's performance." Mr. Dudley wasn't available for comment.

At the height of the 2008 conflict, Mr. Khan was featured in a secret U.S. diplomatic cable, in which a British colleague painted an unflattering picture of him, even noting Mr. Khan's affection for the movie "The Godfather."

"I should have it framed and hung on my office wall," Mr. Khan jokes about the cable. "By the way, it's a very instructive film."

Visibly annoyed when asked about the pistol, which also figured in the cable, Mr. Khan says, "Everyone has their childhood dreams."

Mr. Khan says he and his partners "believe in" the 50-50 structure of TNK-BP, despite the periodic disputes. He says AAR doesn't regret not selling earlier this year, when BP and Rosneft discussed a deal to salvage their proposed alliance by buying out AAR's stake in TNK-BP for about \$32 billion in cash and stock.

Mr. Khan denies that he dominates company management, which is formally headed by CEO and Chairman Mikhail Fridman, Alfa's largest shareholder. Mr. Fridman has said he is a hands-off CEO.

Mr. Khan says there has been no indication that Russian authorities have given the company the cold shoulder after the Rosneft mess, as some observers had predicted. With its hybrid of foreign and local ownership, TNK-BP is a rarity in the Russian oil sector, where local companies, particularly state-owned ones, have been dominant in recent years.

But Mr. Khan says he sees the government easing the tax burden and opening more opportunities—including access to the huge reserves on the Arctic shelf—to private players to boost flagging oil production. The tightly regulated gas market also is likely to open up over time, he says. That would allow TNK-BP to become one of Russia's biggest gas producers, he says. "We're not planning to retire."

Alfa has avoided the internal tensions of other Russian companies in recent years, in which oligarchs have taken each other to court.

One of the most dramatic of such battles is under way in London, where one-time Kremlin insider Boris Berezovsky has sued his former partner, oil tycoon Roman Abramovich. The case has provided a rare window into the murky business dealings of 1990s Russia. Last week, Mr. Abramovich testified that everyone in big business needed high-level political and other protection, known as a *krysha*, the Russian word for "roof."

Mr. Khan takes issue with that. "We never had a krysha. We were always our own krysha."

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## BUSINESS

## Q&A: Russia's Mikhail Fridman

Updated June 29, 2012 8:13 a.m. ET

The Wall Street Journal interviewed Mikhail Fridman, chairman of Alfa Group and AAR, BP's partner in its TNK-BP joint venture in Moscow on June 27. The following are edited excerpts. Material outside quotation marks is paraphrase. The interview was conducted in Russian and translated into English.

### The Wall Street Journal: What was your message to investors in London last week?

**Mr. Fridman:** "The message was simple. The situation in TNK-BP today is not healthy. We do not have a constructive dialogue—in fact, no dialogue whatsoever—with BP management, and we wanted to draw the attention of BP shareholders to the need to get one going."

"Our impression was that BP shareholders understood our concerns and recognized the need to begin a constructive dialogue."

BP's June 1 announcement (that it is considering selling its TNK-BP stake after receiving expressions of interest from potential buyers) "is merely of a declarative nature." "We doubt it has any basis in fact. Our understanding is that among Russian companies, not one has conducted any serious negotiations with BP and no one intends to."

"Our view is that there are no serious buyers, ones who would be ready to lay out large sums for shares in TNK-BP. Any foreign company would face a very complex process of getting approvals."

Buyers from China or India would be unlikely to win approval from the Kremlin, although a Western major like Exxon "would be quite possible" but they would have to come to AAR to discuss a potential partnership and they haven't.

"As of today, we've had no contacts with anyone on this."

AAR would probably agree to provide confidential information to a potential buyer like Exxon.

"But we've have no approaches yet which leads us to the conclusion that there's no serious interest from anyone credible."

"Our message to investors was that if they expect a check for \$25 billion to \$30 billion to show up at BP [for its interest in TNK-BP], they have been badly misled by BP management."

### WSJ: Why do you think BP made the announcement June 1 then?

**Mr. Fridman:** "They're under pressure on several fronts, in the U.S., Argentina, India, and here in Russia. They're trying to buy time, to reassure investors by saying 'don't worry, we have offers.' Announcing that they are close to selling their interest in TNK-BP for \$25 billion to \$30 billion and returning significant cash to the shareholders creates some good news and buys BP management time to resolve the other issues."

### WSJ: Is there still a chance AAR and BP could reach some kind of agreement?

**Mr. Fridman:** "There's always a chance."

"For us the most preferable option would be to sell AAR's stake for cash and BP shares over an extended period - say, 5-7 years - gradually, but with the terms spelled out up front."

BP's assertion that it would not be allowed to own more than 50% of TNK-BP by the Russian government is "not true. It's just a matter of getting appropriate approvals. We are confident

these could be obtained.”

“We’ve always told them that we don’t want to exit for just cash” but would want a “substantial stake” in BP, around the 10% level discussed in the failed deal with Rosneft last year.

“This can all be discussed, we’re open to this.”

TNK-BP would continue to be managed as it is by now (by AAR shareholders) during the transition period, but AAR would want a “clear mechanism and formula for converting its stake into cash and BP shares.”

AAR and BP discussed the possibility of such a deal (with an exit period of up to 7 years) starting in late 2011, but weren’t able to reach agreement with BP management.

“It’s a black box for us. We talk only to top management. What they tell their board, we don’t know. What management tells us they hear from board is diametrically different from what major BP shareholders told us directly.”

“We made several efforts to start dialog with the board but they were cut off sharply” by both management and the board.

By late April-early May 2012, “it became clear these talks weren’t going anywhere”

“So we made them another offer, which is for us less attractive, but nonetheless we believed that this situation needed to be resolved somehow.”

That offer called for AAR buying half of BP’s TNK-BP stake for cash at “market” valuations, with the rest to be bought later or sold in an IPO.

“We sent this offer to BP but all we got was a brief response that it didn’t interest them. No counterproposal.”

“After this, I decided to resign (as CEO) because we weren’t able to start constructive dialog. In addition, the absence of a quorate Board created potential liabilities for me personally, which I didn’t want to be exposed to.”

“The main problem we have is that we don’t have a dialog with BP management on any of the difficult issues that TNK-BP and our relationship are facing.”

“We see clear efforts on the part of BP to drag out the appointment of new independent directors” as a way to prevent TNK-BP from starting a lawsuit against BP for damages from the failed Rosneft deal. “They want to drag it out endlessly. BP is approaching this process not as a search for an independent director, but as a jury selection process.”

“As soon as the new board member is appointed, TNK-BP management will ask the Board to approve a multibillion-dollar lawsuit against BP.”

TNK-BP’s and AAR’s lawyers estimate that BP could face “billions of dollars in damages from the suit. This was confirmed by two leading international law firms hired specifically to advise the Board.”

**WSJ: What valuation would you consider for TNK-BP now?**

**Mr. Fridman:** “We haven’t discussed price with BP but we think it should be around current market prices. The \$65 billion valuation implicit in last year’s failed deal is no longer relevant. The world has moved on.”

**WSJ: What about the \$25 billion to \$30 billion valuation some analysts have discussed for BP’s stake?**

**Mr. Fridman:** “In our view, that’s unrealistic. We don’t see any serious buyers who would pay BP such a large premium to market value, which is currently about \$20 billion for 50% of TNK-BP.”

“The oil price has fallen sharply and the profitability of the oil industry has fallen” since last year.

The \$7 billion figure mentioned for the possible value of 25% of TNK-BP was an estimate that reflected downward adjustment to market price related to AAR's waiving legal claims against BP.

**WSJ: Have you been in contact with President Vladimir Putin, Rosneft CEO Igor Sechin and other officials about these issues since BP rejected your offer in May?**

**Mr. Fridman:** "We're always in touch with everyone, that's our job. We told them what we're trying to do."

"They all share the view that if we can reach agreement with BP along the lines that we're proposing (AAR selling its stake to BP for cash and stock), they would view that positively."

"It's good for Russia and for BP" to have AAR be a large shareholder in BP and to have BP have a bigger presence in Russia.

"But if you can't reach agreement, then go ahead and buy them out, it's up to you.' If a third investor comes along, say Exxon, the Russian government probably wouldn't oppose that."

**WSJ: Have you seen any indication a state company like Rosneft or Rosneftegaz would be interested in buying a stake in TNK-BP?**

**Mr. Fridman:** "We've never had any indication of this. On the contrary, we've heard from many government and industry officials that in their view, it would be a very undesirable development."

**WSJ: What about possible interest from Surgutneftegaz or Gunvor?**

**Mr. Fridman:** "There is zero basis for that."

**WSJ: What is AAR looking for?**

**Mr. Fridman:** "We're not industrial players like BP, we're investors."

"For any investor, a key question is one of potential exit. We've been involved with TNK and TNK-BP for 15 years, almost 10 of them as a joint venture. We're ready to stay active with the company for another 5, 7, 10 years, but beyond that horizon we'd like to see a way of exiting out of this asset. We're all not getting any younger, after all."

**WSJ: Will AAR exercise its right under the SHA to start talks with BP on buying BP's stake?**

**Mr. Fridman:** "Of course."

"We haven't approached anyone about arranging financing for a bid, but we've received numerous unsolicited offers of financing and it seems like interest is pretty strong."

AAR hasn't approached any other global oil companies about investing in TNK-BP.

"It seems to us that we shouldn't be the ones approaching those companies but if those companies really expressed interest in buying BP's shares, they should come to us."

**WSJ: Would AAR consider buying BP stock as a way to influence management?**

**Mr. Fridman:** "We don't plan to do this."

"We don't make dumb investments; buying a minority stake in a large public company isn't a very effective way to influence management."

"We think BP shareholders are reasonable people and it's enough for us to explain the situation and they will figure out what needs to be done to protect their interests."

Mr. Fridman said he couldn't say whether AAR would support Bob Dudley as CEO of BP if it became a significant minority shareholder because he doesn't have a clear sense of Mr. Dudley's strategy.

"From the public information at our disposal, we think the company is struggling and management doesn't seem to have a sound strategy of dealing with the various challenges BP is

facing."

**WSJ: Where do you see yourself and the Alfa Group in 5-10 years?**

**Mr. Fridman:** "We're not changing our strategy of development."

"We're continuing to invest in our assets, we don't always do that in Russia because in Russia things can be expensive."

"I don't know what I will do in 10 years. It will probably depend a lot on the political situation and my health and that of my partners."

"We're not changing our investment approach."

He declined to put a value on the group's holdings, saying he doesn't keep track of those figures.

**WSJ: Do you see opportunities for private business in Russia growing or shrinking?**

**Mr. Fridman:** "In some sectors it's narrowing, in others it's growing."

He disagrees with Lukoil CEO Alekperov that private companies have no room for growth in the oil sector in Russia.

"Maybe there aren't opportunities for big jumps, but I think there's plenty of room for steady growth in output."

"In terms of privatization, we don't know which way the government will go."

"As far as we understand from conversations with various top officials, there's no plan to increase the state's share in the energy sector. The idea is to bring order to what the state already owns."

"As far as we understand, Rosneftegaz's strategy isn't to buy up privately owned oil assets. The idea of Rosneftegaz is to consolidate the state's assets in the energy sector."

**WSJ: What are your plans with Vimpelcom now?**

**Mr. Fridman:** "We're not buying any more shares now."

**WSJ: What was your message to U.S. legislators when you were in Washington in May?**

**Mr. Fridman:** "We support Russia's WTO accession. We think it's the right decision."

"We were asked about the Magnitsky Act. We said we think it isn't quite the right approach because it's involves specific bureaucrats, but the broader problem is corruption."

It shouldn't be linked to WTO accession. "We think they are different things."

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MARKETS

# This Russian Tycoon Is All About Business

By Gregory L. White

April 7, 2013 6:51 p.m. ET

MOSCOW—It was a rich payday even for an oligarch. Last month, Mikhail Fridman’s Alfa Group collected \$13.9 billion for its stake in oil giant TNK-BP, sold in one of Russia’s biggest-ever takeover deals.

But the 48-year-old billionaire isn’t planning to spend the proceeds on yachts or sports teams, like other Russian tycoons. For him, he said, there is nothing that can match the thrill of business. “You have no idea how interesting it is to think up these operations,” he said in an interview in his spartan Moscow office. “It’s fun.”



Alfa Group’s Mikhail Fridman is looking to expand the Russian group’s holdings in the telecommunications, retail and banking sectors. GETTY IMAGES

He is already looking at expanding his group’s holdings in the oil, telecommunications, retail and banking businesses where it has made billions over the last two decades.

Alfa is one of a growing number of cash-rich groups that got their starts in emerging markets but are increasingly reaching beyond their home territories, creating new competition for established companies and investors.

Alfa has helped push Vimpelcom, the New York Stock Exchange-listed wireless company where it owns 47.8%, to expand outside Russia, turning it into the seventh-largest wireless firm in the world by subscribers.

But while capital has been flowing out of Russia at near-record rates in recent years, Mr. Fridman said Alfa expects to invest most of its cash close to home.

MORE

- Chinese Mogul in Talks to Buy European Cinemas

That isn’t just because President Vladimir Putin in December publicly called on the tycoons who were selling out of TNK-BP to keep the proceeds in Russia.

“Frankly, our interests coincide here and not so much because we’re politically inclined but because Russia is more comprehensible, a country where we have a more obvious competitive advantage,” he said.

Since the TNK-BP deal closed, Alfa already has bid unsuccessfully for a Swedish-owned telecom operator in Russia and made a \$3.67 billion bid on an Egyptian wireless company.

Extending Alfa’s remarkable run—Mr. Fridman said annual returns have averaged 30% to 40%—is likely to be a tall order.

Inside Russia, strategic sectors like energy are increasingly dominated by state companies and political favorites, while the Kremlin now is targeting foreign investors with their technology for other areas.

Local tycoons like Mr. Fridman used to bridge the gap, "but that generation of oligarchs just doesn't fit into the new business environment," said Roland Nash, chief strategist at Verno Capital, a Russia-focused investment fund.

Overseas, Alfa's history of bruising legal battles with partners like BP PLC and Norway's Telenor AS is likely to make for a chilly reception.

Though he acknowledged that Alfa has some work to do to improve its reputation, Mr. Fridman said the group's strategy is still sound.

Alfa got its start as a window-washing cooperative in the collapsing Soviet Union of the late 1980s. Mr. Fridman and a few friends from Moscow's Steel and Alloys Institute, a prestigious Moscow university, tried everything from selling computers to trading oil and currencies, getting rich as Russia lurched toward capitalism.

Mr. Fridman emerged as the group's main shareholder as it branched into oil, telecommunications and retail.

When Mr. Putin came to power in 2000, other tycoons fought his efforts to rein in their political influence but Alfa fell into line.

"We don't really know how to be close friends of the leadership, but we're definitely not opponents," Mr. Fridman said. "We never support the opposition, we never intervene in politics."

In business, Alfa is known for fighting tooth and nail for its interests, often using Russia's weak court system to win judgments against both partners and rivals.

In 2008, a New York judge cited Alfa's units for "their brazen history of collusive and vexatious litigation...used to avoid compliance with their legal obligations," in a dispute with Telenor over their jointly owned Vimpelcom. A year later, BP blasted them for what it called "sustained harassment" that led the BP-appointed chief executive of TNK-BP, their joint venture, to flee Russia. Alfa rejected the allegations in both cases.

"We're criticized for going to court all the time, but that's just the way we defend our interests," Mr. Fridman said. "In business, it's often the case that somebody is trying to take something from someone else, not excluding big Western companies."

Alfa's tactics have won kudos from Russian government officials.

Alfa hasn't shied from picking fights at home, either.

In 2011, Alfa, along with its other Russian partners in TNK-BP, took on the powerful state oil company, winning a London court order to block a proposed \$16 billion deal between Rosneft and BP.

The move to sabotage a transaction publicly backed by Mr. Putin shocked many observers in Moscow, but Alfa and its Russian partners prevailed.

That fight set the stage for the Rosneft buyout.

Mr. Fridman said he would have preferred to hold on to the TNK-BP stake for several more years. But when BP last year agreed to sell its half of the venture to Rosneft, Alfa and its partners saw no alternative to selling out as well, particularly since Rosneft offered them the same price as BP, except all in cash, while BP was paid partly in Rosneft shares.

"I understand no one will believe me that we didn't pay," he said, referring to widespread speculation that the oligarchs had to kick back some of the proceeds to officials. "But it's a fact."

The deal marked the end of Alfa's most lucrative investment—the group spent about \$1 billion in the late 1990s for its share of what became TNK-BP, a venture that paid them \$9 billion in

dividends over its 10-year life.

Asked how much Alfa Group—where he is the biggest of the three shareholders—is worth, he looks at the ceiling. “Maybe \$30 billion, \$40 billion, I don’t really know,” he said.

Just last week, Alfa was back in the game, complaining loudly that a local wireless company had been sold to a state bank for less than what Alfa said it would have offered. “We can still buy it,” Mr. Fridman says. “We just won’t make as much.”

He said the domestic banking and insurance markets, where Alfa already has strong entries, are ripe for consolidation, while there is also room to expand retail. The state-dominated oil and gas sector will be a harder nut to crack, but there is room to be “opportunistic,” he said.

Outside Russia, Alfa hopes to capitalize on its experience in telecom and oil. But while it once craved BP shares as an exit from TNK-BP, now, “they wouldn’t generate the kind of yield we would want,” he said. A U.S. real-estate fund announced over a year ago is still getting off the ground.

“We didn’t graduate from Harvard Business School or anything, probably unfortunately for us, so we have to rely mainly on common sense and experience,” he said.

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**(10)**

**Mikhail Fridman****Profile: Mikhail Fridman – from rugs to riches**

Alfa chairman walks a tightrope as the oligarch who has escaped western sanctions

John Aglionby MARCH 2, 2015

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[Mikhail Fridman](#), one of Russia's richest oligarchs and chairman of Alfa Group, has so far walked largely successfully along a tightrope.

On the one hand, he has preserved his wealth by not falling out with Russian president Vladimir Putin. On the other, he has not been a target of sanctions imposed on Moscow over Russia's intervention in Ukraine.

Born in 1964 in Lviv, western Ukraine, Mr Fridman began his career by reselling rugs and theatre tickets before founding Alfa-Eco in 1989.

This developed into the Alfa Group, which has interests ranging from banking to energy and telecoms. It became one of Russia's largest privately owned investment groups after securing \$14bn in 2013 when Rosneft, the Russian state-controlled energy group, bought TNK-BP, an oil explorer in which Alfa had a big stake.

The telecoms side of Mr Fridman's empire, Altimo, was launched in 2005, and is the largest shareholder in VimpelCom, one of Russia's largest mobile phone operators. It is also a shareholder in Turkcell, the leading Turkish mobile operator.

Altimo's history has been marked by repeated and often acrimonious legal disputes with its partners. In a ruling on a 2008 motion filed by Telenor, the Norwegian telecoms group that is a shareholder in VimpelCom, an American judge described Altimo as having an "extensive and brazen history of collusive and vexatious litigation".

Indeed, battles with partners have been a feature of Mr Fridman's business dealings. In 2011, Alfa scuppered BP's attempt to develop the Arctic and repeatedly had a row with the UK oil major when the two were fighting for [control of TNK-BP](#).

Unlike many other oligarchs, Mr Fridman has largely stayed out of Russian politics and sensitive sectors such as the media – and this may have helped him to avoid the US and EU sanctions that have targeted Mr Putin's inner circle since the Ukraine crisis erupted.

When the sanctions were imposed last year, government officials in Moscow mocked the west for being afraid to hurt its own financial interests because Mr Fridman was among several Kremlin-

friendly tycoons left off the list of targeted individuals.

But Mr Fridman has not escaped scot-free — as demonstrated by UK energy secretary Ed Davey’s move to [stop the oligarch’s LetterOne group](#) buying the British assets of Germany’s RWE Dea.

### **Fridman attacks North Sea deal threat**

Mikhail Fridman, the Russian billionaire, has told Britain’s energy secretary that the UK government’s threat to block a €5bn deal by his investment vehicle to buy North Sea gasfields is “not rational”.

[Continue reading](#)

The creation of L1 Energy, LetterOne’s energy-focused investment vehicle, is the latest indication that Mr Fridman is increasingly looking overseas for new business ventures.

Outside business, Mr Fridman has taken a leading role in efforts to revive Russia’s Jewish community, co-founding the Russian Jewish Congress In 1996. He subsequently helped establish the Genesis Philanthropy Group, which seeks to develop Jewish identity among Russian-speaking Jews around the world.

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**(11)**

**Lunch with the FT Mikhail Fridman****Lunch with the FT: Mikhail Fridman**

The combative oligarch talks about battles with BP and the 'moral duty' of rich Russians

Guy Chazan APRIL 1, 2016

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© James Ferguson

As I sit with [Mikhail Fridman](#) in Frescobaldi, an Italian restaurant in Mayfair, my eyes drift to a quote from Dante's *Divine Comedy* painted on the white ceramic tiles behind us: "The devil is not as black as he is painted."

For years, Fridman was demonised in the western press as a symbol of everything that was wrong with Russian business. He was portrayed as a ruthless tycoon who exploited Russia's corrupt politics and courts, a billionaire bully who stopped at nothing to defeat competitors and partners alike.

As a reporter in Moscow in the 1990s, I'd witnessed his rise to mogul-dom, as he began to amass a fortune currently estimated by Forbes at \$14.6bn. On returning to London, I covered the ins and outs of his war with BP over their jointly-held Russian oil producer TNK-BP — one of the most spectacular corporate battles of the past decade. The company had been subjected to an onslaught of tax, labour and police inspections — all engineered, BP claimed, by Fridman and his partners as part of a furtive power-grab. TNK-BP's American boss Bob Dudley fled Russia in July 2008, after a campaign of what he called “sustained harassment”.

I was prepared for a touch of menace: this is a man whose appetite for litigation is legendary and who in a 2010 lecture entitled “How I Became an Oligarch” said that, of all types of human activity, “entrepreneurship is in some sense the closest to war”. But today he is soft-spoken and jovial. Having moved his base from Moscow to London to reinvent himself as a global investor, Fridman is, he says, on a mission to improve the image of his country's business elite. “It's our moral duty to become a global player, to prove a Russian can transform into an international businessman.”

To that end, he has hired a clutch of oil industry bigwigs as advisers — one of them is [John Browne](#), the erstwhile boss of BP and a former adversary. In the 1990s, Browne had watched in impotent fury as a series of legal proceedings in remote Siberian courthouses left Fridman in control of some of BP's oilfields; for years, he wouldn't take the Russian's phone calls. Now, all is forgiven. A western oilman who knows Fridman once likened doing business with him to a rugby game: “You kick the shit out of each other on the pitch but then you go and have a beer afterwards.”

Frescobaldi, the venue for our lunch, is a short walk from the offices of LetterOne, Fridman's new investment vehicle. Owned by the eponymous Italian wine dynasty, it is stylish but discreet, with oak panelling, a marble floor and vines draped across the ceiling. Regulars include Tidjane Thiam, boss of Credit Suisse, and Pierre Lagrange of GLG Partners, as well as art-world types from Mayfair — there's a Hauser & Wirth gallery across the road.

Fridman says he chose it on a whim: the name evokes his beloved Tuscany, where he holidays every summer. Tieless in an elegant dark suit and blue shirt, the 51-year-old fits in among the bankers and hedge fund managers sauntering in for lunch, drawn by a wine list that includes a rare Ornellaia white for £290 a bottle. But he seems different, too: maybe it's his stocky frame and round, babyish face, or perhaps the vivid tales of 1990s Moscow — a cut-throat world that seems light years away from this polished corner of Mayfair.

Does he now regret the corporate wars with BP and other partners that earned him such opprobrium in the west? “When you're working with big companies they have their own agendas,” he says. “At a certain stage, your interests are aligned, and sometimes they collide.” The legal disputes did “damage our reputation”, he adds, “but at the end of the day we benefited a lot as shareholders of the company.”

In 2013 Fridman and his partners sold their 50 per cent stake in TNK-BP to Rosneft, Russia's state-owned energy group, for \$28bn. It turned out to be a remarkably well-timed deal: crude prices have crashed and, with them, oil company valuations. But Fridman claims he doesn't really understand oil markets. "To be successful in business, you don't have to be smart, but you do have to be lucky," he says. He celebrated with a three-day pilgrimage through the Israeli desert accompanied by a group of fellow Russian Jewish billionaires and a caravan of camels.

A waiter sweeps over with menus and we go for the set lunch. Fridman chooses octopus salad, and I take the mixed salad with avocado: we both opt for the pan-fried sea bream with spinach and lemon, eschewing Frescobaldi's Tuscan wines for mineral water. I ask whether he thought of slowing down after selling out of TNK-BP — maybe buying a yacht and a football club, like Chelsea owner Roman Abramovich. He laughs. Keeping control of his weight is a "constant problem", he says, patting his belly, "so the idea of spending my time on a yacht is not good". Lying on a beach, meanwhile, is a "form of torture". "It's a kind of talent to spend money beautifully," he adds. "I don't have it."

Fridman was born into a Jewish family in Lviv, Ukraine, in 1964. It was a city that always felt different to the rest of the Soviet Union, he explains: for centuries it was ruled by the Habsburgs, and from 1918 to 1939 by Poland. "The body language of the people was anti-Soviet," he says.

Coming to Moscow in the 1980s, Fridman felt like an outsider. Unofficial anti-Semitic quotas meant he was barred from the best Soviet universities, so he went to the drab Moscow Institute of Steel and Alloys instead. It was there that his entrepreneurial streak first revealed itself. He led a group of students who would queue for tickets to some of Moscow's most popular plays and then use them as hard currency, bartering them for goods in short supply and favours from officials.

In 1988, as Mikhail Gorbachev began to open up the Soviet economy, Fridman set up a window-washing business, which quickly became a success. But that made his parents anxious. When his mother discovered he was earning Rbs1,000 a month — nearly seven times his official salary as an engineer — she turned "as white as this", he says, holding up his side plate. "She said, 'You must stop this immediately, or you'll end up in prison,'" he recalls. "In her mind it was impossible to make Rbs1,000 legally."

### Ristorante Frescobaldi

**15 New Burlington Place,  
London, W1S 2HX**

Still water £5

Eating salad, he explains how in 1989, together with fellow students German Khan and Alexei Kuzmichev, he formed Alfa Group, which mushroomed into one of Russia's biggest conglomerates, spanning interests in telecoms, banking, retail and oil. The friends

Set menu x 2 £58

Avocado salad

Octopus salad

Sea bream x 2

Sorbet x 2

Double espresso £5

Single espresso £4

**Total (inc service) £81**

started off selling computers, perfumes, cigarettes and carpets. They soon branched into oil trading, amassing a vast fortune by buying up cheap Russian crude and selling it abroad at a mark-up. In 1991 they set up a bank, Alfa, now Russia's largest private lender.

In 1997, Fridman teamed up with tycoons Len Blavatnik and Viktor Vekselberg to buy TNK, a struggling Siberian oil producer, for \$800m. The company was bankrupt, hit by a falling oil price. "We thought it was a mistake," he says. "We overpaid."

But the new owners restructured its debt and then

watched as the price of crude began to rise. TNK turned into a cash machine.

As piped jazz drifts round the restaurant, I ask Fridman whether he ever looks back at the Russia of the 1990s — when many lost their fortunes and some their lives — and wonders how he survived. Pausing over his fish, he puts it down to a refusal to do deals with criminals. Others turned to mafia gangs to provide "*krysha*" — "roof" — or protection. Alfa instead enlisted the local police. "They had no money, so we would buy [them] furniture," he says.

He also avoided politics. "We never wanted to challenge authority," he says. "We always followed this philosophy — always to be loyal and friendly [to the government] but never to be too close."

The spectre of [Mikhail Khodorkovsky](#), a fellow oilman and oligarch, inevitably lurks in the background. After dabbling in opposition politics, Khodorkovsky fell foul of Putin, lost his oil company and ended up in jail. Fridman, in contrast, says he was never tempted by power: indeed, as a Jew, he consciously avoided it. "My mother always said, 'With your name you shouldn't be in government,'" he says.

That said, one of the keys to his success was his partnership with Pyotr Aven, a former minister who retained close ties to the Kremlin and from 1994 was president of Alfa-Bank. "We needed a channel for communication with the government," he says. "We didn't know anyone, and he was this very smart guy, young, energetic and liberal." Aven was also one of Putin's old acquaintances, a link that was to prove critical to Alfa Group later on.

In 2003, when TNK merged with BP's Russian operations to form TNK-BP, Fridman and Browne signed the deal at a ceremony in London presided over by Putin and Tony Blair. At first, relations between the two partners were cordial, but it wasn't long before the clash of cultures became apparent. BP executives found Khan particularly hard to deal with. In a US cable published by WikiLeaks, a TNK-BP executive said he had been invited by Khan on a hunting trip and the

Russian had shown up with a girlfriend, as well as six other glamorous women. At dinner, which he attended armed with a chrome-plated pistol, Khan had described *The Godfather* as a “manual for life”.

The tensions steadily grew and came to a head in 2008, after it emerged that BP had been holding secret talks with the state gas company Gazprom to buy out Fridman and his partners. TNK-BP soon found itself facing a wave of intrusive inspections, while its foreign staff were stripped of their Russian visas and work permits. BP accused Fridman and his associates of orchestrating the administrative nightmare. Fridman denied having anything to do with the official harassment, which eased off after Bob Dudley left Moscow, and control of the company effectively passed to the Russians.

Later Alfa was embroiled in an equally bitter struggle with the Norwegian company Telenor over a Russian mobile company they jointly owned. A drumbeat of lawsuits in Russia, Europe and the US climaxed in 2009 when a Siberian court ordered Telenor to pay \$1.7bn or face the loss of its Russian investment. Soon after, the two companies settled their differences and the court case was quietly withdrawn.

We both order a dessert of pear and mango sorbet. I ask Fridman whether it was true that Alfa exploited Russia’s ramshackle legal system to win favourable judgments against its partners. “I don’t agree,” he replies. His partners, he says, were just as powerful: “BP as a major player has at least an equal ability to influence Russian officials, through diplomatic channels, and government-to-government.”

Perhaps his boldest legal gambit came in 2011, when BP struck a megadeal with Rosneft for rights to drill for oil in the Arctic. TNK-BP’s Russian investors cried foul, saying it violated the exclusivity provisions of their shareholder agreement with BP, and won an injunction in the London High Court to block the partnership.

How did Fridman feel taking on Rosneft boss Igor Sechin, one of Putin’s closest allies, who had staked so much political capital on the tie-up with BP? “Of course we were worried about it,” he says. “But why shouldn’t we protect our rights? If you can’t do that, you’ll never succeed.”

Thwarted, BP ultimately decided to sell out of TNK-BP. Fridman followed suit and Rosneft ended up buying the whole company for \$55bn. About \$14bn of that went to Alfa Group and Fridman has been putting the proceeds to use. Last year LetterOne bought Dea, a small German oil and gas company, and his latest bet is a \$200m investment in US ride-hailing company Uber.

Putin said he hoped Alfa and its partners would invest the proceeds from the Rosneft deal in Russia. Fridman says he is still committed to his home market, but “the Russian economy is not in the best shape. And generally it would be inappropriate to put all our eggs in one basket.”

## When his mother discovered he was earning Rbs1,000 a month, she turned ‘as white as this’ he says, holding up his side plate

That’s an understatement. Russia is in recession, labouring under a stubbornly low oil price and western sanctions over Ukraine. As our coffees arrive — a double espresso for him, a single for me — I ask him about the mood in Moscow, where he spends 40 per cent of his time.

“It’s a pretty tough situation for everybody,” he says. He avoids outright criticism of Putin but insists that Russia “must restructure its economy, to make it more open for investment, for competition. There should be privatisation, less domination of state businesses,” he says. He omits to mention that it was the sale of TNK-BP that cemented the dominance of one of those state businesses — Rosneft — over Russian oil.

The conversation turns to Ukraine — a subject I know will be sensitive for him. Fridman feels a strong connection with the land of his birth. The annexation of Crimea, the war in Donbass — all of this is, he says, a “huge tragedy . . . for both nations, Russia and Ukraine”. But, for the first time in our two-hour conversation, he clams up. “As head of a big company, I don’t have the right to comment on the situation,” he says.

We move on. I ask about his children. His eldest daughter recently graduated in economics at Yale, while his second is in her first year there. He has a teenage son at boarding school in Kent and his youngest daughter lives with his former partner in Moscow. Fridman says he has no intention of giving any of his children a job in Alfa Group or LetterOne. “I don’t want to create a dynasty,” he says.

I ask for the bill and pose one last question. Fridman’s westward expansion hit a hurdle last year when the British government insisted he sell a dozen gasfields in the North Sea as part of the Dea deal. Ministers worried that he might be hit by future sanctions against Russia, and the fields would have to be shut down.

Fridman called the demand irrational and [threatened legal action](#), yet he sold the fields anyway. I asked him why he didn’t take the government to court — after all, that’s what he does, all the time. “The situation is not completely finished yet,” he says. “We fulfilled the demand of the British government but we are still considering what could be our approach.” I ask if legal action is still an option. “No comment,” he says, with a smile.

*Guy Chazan is the FT’s Berlin correspondent*

*Illustration by James Ferguson*

Letter in response to this column:

[City of Lions, bulwark of Christianity for centuries / From Dr Eva C Hoffman Jedruch](#)

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## When Tillerson Looked Into Putin's Eyes, He Found Black Gold (1)

 Bloomberg News Enterprise

Published: Dec 22 2016 06:23:57

### News Story

- Exxon chief conquered nature and Russian politics in Sakhalin
- 'If you can deal with Putin and Sechin, you can manage Trump'

By Stephen Bierman , Irina Reznik and Gregory L. White

(Bloomberg) --

When Barack Obama and Vladimir Putin met at the Group of 20 summit in Mexico in 2012, Europe was reeling from the Greek debt crisis and the Arab world was aflame from Libya to Syria.

So U.S. officials were stunned when the first thing Putin wanted to talk about was the love affair his oil giant Rosneft was having with Rex Tillerson's Exxon Mobil, according to a person in the room. Just two months earlier, Putin had personally presided over their latest deal, which gave Rosneft access to cutting-edge drilling technologies and Exxon a share of potentially tens of billions of barrels of oil in the Arctic and in the Black Sea.

Tillerson has been cultivating Putin since they first met on the Far East island of Sakhalin in 1999, after the retired KGB colonel suddenly became prime minister. President-elect Donald Trump hailed Tillerson's oversight of a company active across the globe in nominating him to be secretary of state last week. But the lifelong oilman will face intense grilling in Congress next month over whether he can put the national interest first, particularly in Russia, where he's spent almost two decades building a relationship with a former spy Senator John McCain called "a bully and a murderer."

At the time of their initial meeting, the hard-nosed Texan was balking at committing the billions of dollars needed to reach the rich offshore deposits at Exxon's Sakhalin-1 project without a stable government in Moscow, a partner in its production sharing agreement. Boris Yeltsin had chewed through four premiers in 16 months before resigning that Dec. 31 after settling on Putin, who was determined to reassert government control over an outmoded industry that had been decimated and privatized after the Soviet Union's demise.

### 'He Knows Everything'

Tillerson, who like Putin was born in 1952, when Harry S. Truman and Josef Stalin were dividing up the world, quickly won the new president's heart by standing by Exxon's cash-strapped Sakhalin-1 partner, state-run Rosneft. He doubled down on the remote and risky development, which is closer to Tokyo than Moscow, later saying work accelerated after Putin took over the country.

"Tillerson met with every minister, governor, everyone who could influence Sakhalin-1," Igor Yusufov, Putin's energy minister from 2001 to 2004, said in an interview in Moscow. "He's gone through everything and knows everything."

When Exxon and Rosneft's legal status at Sakhalin-1 was finalized in 1996, the Russian company's output was just 240,000 barrels a day, a fraction of its Soviet-era peak. Within a decade, the island project alone was pumping a quarter million barrels a day, helping Rosneft fund a wave of takeovers that would boost its production 20-fold to surpass China and even Exxon itself.

For Exxon, Tillerson not only built a cash cow that will pay off for decades, he created an engineering marvel that redefined what's possible in hostile climes, breaking multiple world drilling records, including a well eight miles long. Impressed by his ability to master one of the most treacherous -- and potentially lucrative -- business environments in the world, Exxon rewarded Tillerson with the dual titles of chairman and CEO in 2006.

## Putin v. Khodorkovsky

But it may be what Tillerson, and his boss at the time, Lee Raymond, didn't do that earned Putin's lasting respect -- buy a stake in Yukos.

In 2003, Mikhail Khodorkovsky, who'd assembled Yukos from assets acquired in rigged auctions under Yeltsin, had become an investor darling by championing corporate transparency, while using his unrivaled wealth to challenge Putin by funding opposition lawmakers. He was also trying to sell a chunk of Yukos to Exxon, in part for the political insurance he figured would come with being tied to a huge Texas-based oil company while a Texas oilman was in the White House. Two years earlier, George W. Bush said he looked Putin "in the eye" and found him "very straight-forward and trustworthy."

Allowing Exxon, or any foreign company, to gain a major stake in Russia's largest oil producer at the time was unacceptable to Putin, particularly since he considered Yukos stolen property. Officials in Moscow made that position clear to Tillerson, who eventually decided that the downside of doing a deal far outweighed the upside, said Yuri Shafranik, a former energy minister who chairs Soyuzneftegaz, an oil and gas company with interests in Iraq and Syria.

"I told Tillerson and four of his deputies in September 2003 that the powers that be believed Yukos was taken from the people illegally," Shafranik said in an interview. "He showed deep political wisdom by backing out -- Exxon would not have been able to do business in Russia again if he had not."

A month later, Khodorkovsky was arrested in his airplane on the tarmac of a Siberian airport. He would eventually serve 10 years in prison on charges including fraud, while Yukos was hit with more than \$30 billion of back taxes, broken up and sold off, mainly to Rosneft. Putin appointed his longtime ally, Igor Sechin, chairman of Rosneft in 2004.

Khodorkovsky, who's now based in London, said by e-mail that he remembers Tillerson as a "good man" who reminded him of the late Viktor Chernomyrdin, a former Gazprom chairman and Yeltsin's longest-serving prime minister.

## Sechin, Motorcycles

The ties Tillerson's forged with Putin and Sechin over the years makes him an ideal choice from the Russian

perspective to become secretary of state, according to more than a dozen officials and businessmen in Moscow, including billionaire Mikhail Fridman, a former partner of BP Plc, a Rosneft shareholder.

Tillerson's relationship with Rosneft was instrumental in Sakhalin-1 avoiding the fate of Sakhalin-2 when government officials started attacking Yeltsin-era production sharing agreements a decade ago, according to an executive involved in Sakhalin-1 at the time who asked not to be identified.

After months of intense pressure and very public squabbling, Royal Dutch Shell in 2006 was forced to cede control of Sakhalin-2, operator of Russia's first liquefied natural gas plant, to its partner Gazprom, Rosneft's bitter state-run rival. Tillerson was wise to keep a low profile during that conflict and let Rosneft deal with officials in Moscow behind the scenes, the executive said.

Sechin, who once said he wished he and Tillerson could tour America on motorcycles together, was the Exxon chief's guest on his first trip to the U.S. in 2012. The two oil titans visited Wall Street and the Irving-based company's campus. A year later, Putin awarded Tillerson the Order of Friendship medal.

## Managing Trump

Still, Sakhalin-1 hasn't been free of conflict. Its three fields have more than 2 billion barrels of potentially recoverable oil and 485 billion cubic meters of gas, enough to meet EU demand for a year. But efforts to export gas have been blocked by Gazprom and its allies in Moscow, so Exxon simply pumps the bulk of the gas it produces alongside crude back into the ground, waiting.

And last year, Exxon took the unusual step of suing Russia in international court for about \$500 million in disputed Sakhalin-1 taxes.

Tillerson put on his diplomacy hat last year and flew to Moscow to discuss the legal action with Energy Minister Alexander Novak. While Tillerson usually met with Putin while in town, he wasn't on the president's agenda that time, according to Dmitry Peskov, the Kremlin's spokesman. Sechin and Exxon have both said they hope the dispute is settled amicably.

"We are working with the government to resolve the issue," Exxon spokesman William Holbrook said by phone Wednesday.

Since filing the claim, Tillerson has flouted the Obama administration by attending Putin's annual investment showcase in St. Petersburg and repeating his criticism of sanctions imposed over Putin's actions in Ukraine, which halted Exxon's Arctic activities in Russia. And this month, Exxon successfully lobbied against a bill in Washington that would have made it harder for Trump to lift those penalties, according to Politico.

Firm diplomacy, that's the Exxon way that Tillerson has followed for decades, earning Russia's respect by not bending, according to Edward Chow, a senior fellow at the Center for Strategic and International Studies in Washington.

"The big question is whether a guy who's worked in such a strong, closely knit corporate culture for 40 years can pivot and be effective as a global diplomat," Chow said. "Nobody knows the answer to that, but if you can deal with Putin and Sechin, then you can manage Trump, if anyone can manage Trump."

--With assistance from Henry Meyer, Joe Carroll, Stepan Kravchenko, Torrey Clark and Will Kennedy.

When Tillerson Looked Into Putin's Eyes, He Found Black Gold (1)

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Politics

# Putin Critics Are Advising the U.S. on Its New Oligarchs List

By [Henry Meyer](#), [Stephanie Baker](#), and [Irina Reznik](#)

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- ▶ Outspoken Putin opponents providing advice for oligarch list
- ▶ Roster of wealthy Russians mandated under 2017 sanctions law



VTB Group CEO Andrey Kostin says Russian-U.S. relations are "terrible" right now.

Some of Vladimir Putin's longest-standing critics have found what they hope will be a new tool to pressure his regime: They're giving the U.S. Treasury advice on whom to include in a new list of Kremlin-connected oligarchs to target for possible future sanctions.

A trio of opponents has found a receptive ear in Daniel Fried, formerly the State Department's coordinator for sanctions policy, who's been offering ideas on the list to former colleagues now working on it. Just how much influence they've had could become clear Jan. 29, when the roster is due. Though it could be delayed, Russia's richest are already anxious at the prospect they might be included.

“A Russian businessperson has to ask themselves, am I part of the Putin machine?” Fried said. He’s consulted on the list with Andrei Illarionov, a former Kremlin aide who now describes the regime as “semi-totalitarian,” Andrei Piontkovsky, who’s compared Putin’s Kremlin to mafia boss Al Capone, and Anders Aslund, a Washington-based economist who’s described it as “kleptocratic.”

The men “have criticized Putin’s aggression abroad and authoritarianism at home. Are all such persons disqualified from discussing ways to counter it?” Fried said.

## ‘Economic War’

Their participation has added to the alarm in Moscow over the list, which has already drawn threats of possible retaliation from Russian officials. Andrey Kostin, the head of state-owned VTB Group called the sanctions -- which have also hit his bank -- “economic war” in an interview with Bloomberg TV at the World Economic Forum in Davos this week.

The list was mandated in a law passed last summer, over White House objections, that made it harder to lift the sanctions imposed over the Ukraine crisis and called for more restrictions to punish Russia for alleged meddling in the 2016 election. The law mandated Treasury produce a report listing “the most senior foreign political figures and oligarchs in the Russian Federation, as determined by their closeness to the Russian regime and their net worth.”

A Treasury spokesperson declined to comment on the process beyond saying that it’s working with the Director of National Intelligence and the State Department on the oligarch list.

Though the list doesn’t impose any immediate sanctions, Russia’s rich and powerful have been scrambling to find ways to avoid landing on it, according to tycoons and lawyers involved in the efforts. The fact such longtime foes of the Kremlin were providing advice has only added to the worry.

“These are odious characters,” said Konstantin Kostin, a political consultant to the Kremlin, referring to the Putin critics. “What’s needed here is work by experts who can do an objective job.”

## ‘Hundreds’ of Names

While the group’s proposals to Treasury don’t list specific individuals, “everybody knows many of the names,” said Aslund. He says the list should include 40-50 people to maximize impact.

“To name and shame you don’t want too many,” he said. Illarionov, on the other hand, called for “hundreds.” The law requires that family members also be included, with assessments of their holdings.

Congress won’t be satisfied with less than 100 names, said a person in the U.S. legislature involved in the process.

“Those who wind up on the list will close ranks around Putin, but hundreds of others will get scared,” said Mikhail Khodorkovsky, who was Russia’s richest man until the Kremlin stripped him of his Yukos oil giant and convicted him on fraud charges. “Forty to sixty names in the ‘Kremlin list’ is enough to scare the rest.”

Fried and the three Putin opponents outlined their approach in a November article on the website of the Atlantic Council, the Washington think tank where Fried now works.

“We provided them with a framework” for building the list, Illarionov said.

Close Putin friends who’ve already been sanctioned -- such as billionaires Gennady Timchenko and Arkady Rotenberg -- are obvious candidates for inclusion. Children of Kremlin insiders and top officials who’ve gotten jobs at state companies are another category, along with “people who are holding money for Putin,” Aslund said.

Among the so-called golden children who haven’t yet been sanctioned are Sergei Ivanov Jr., CEO of diamond miner Alrosa and the son of the ex-presidential administration chief, and Dmitry Patrushev, CEO of state-run lender Rosselkhozbank, whose father Nikolai is secretary of the Kremlin’s Security Council.

## **Billionaire Listing**

The November article advised using leaked offshore data from the Panama Papers and research by the Russian edition of Forbes to pick the names. These could include metals billionaire Alexey Mordashov and Senator Suleiman Kerimov -- who’s facing French money-laundering charges -- and Nikolai Shamalov, a longtime Putin friend.

Separately, the U.S. Treasury on Friday penalized 21 individuals and 21 companies, including Mordashov’s turbine manufacturer Power Machines, in sanctions related to Ukraine.

So far, only two potential targets have been publicly named: Putin ally Prosecutor General Yuri Chaika and billionaire Alisher Usmanov, whom four U.S. senators cited in a Jan. 17 letter to the State Department.

Other likely candidates include VTB's Kostin and billionaire Oleg Deripaska, according to the congressional source. Banking-and-oil tycoons Mikhail Fridman and Petr Aven might also be on it, he said.

A spokeswoman for Deripaska, a metals magnate who's had difficulties in the past getting a U.S. visa, declined to comment, as did Fridman and Aven.

One silver lining for Russia's billionaires is that the list could be mostly classified, limiting its impact, according to the person in Congress.

– *With assistance by Ilya Arkhipov, Jennifer Epstein, and John Hughes*

*(Updates with U.S. sanctions targeting Mordashov company under Billionaire Listing subheadline.)*

## In this article

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**ATLANTIC COUNCIL**  
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