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**MANHATTAN U.S. ATTORNEY ANNOUNCES CIVIL FORFEITURE
COMPLAINT AGAINST REAL ESTATE CORPORATIONS ALLEGEDLY
INVOLVED IN LAUNDERING PROCEEDS OF RUSSIAN TAX REFUND
FRAUD SCHEME**

Complaint Seeks Forfeiture of Assets of 11 Companies, Including Four Luxury Apartments and Two High-End Commercial Spaces in Manhattan, As Well As Civil Money Laundering Penalties

Underlying Fraud Scheme Involved Theft of \$230 Million from Russian Treasury That Was Uncovered By Lawyer Sergei Magnitsky

Preet Bharara, the United States Attorney for the Southern District of New York, James T. Hayes, Jr., the Special Agent-in-Charge of the New York Field Office of the U.S. Immigration and Customs Enforcement's ("ICE") Homeland Security Investigations ("HSI"), and Cyrus R. Vance, Jr., the District Attorney for New York County ("DANY"), announced today the filing of a civil forfeiture complaint against the assets of nine corporations controlling real estate in Manhattan, including four luxury residential units and two high-end commercial spaces, as well as against the assets of two related companies, and seeking the imposition of civil money laundering penalties. The Complaint filed today in Manhattan federal court alleges that these corporations laundered a portion of the proceeds of a \$230 million Russian tax refund fraud scheme involving corrupt Russian officials that was uncovered by Sergei Magnitsky, a Russian lawyer who died in pretrial detention in Moscow under suspicious circumstances.

Manhattan U.S. Attorney Preet Bharara said: "Today's forfeiture action is a significant step towards uncovering and unwinding a complex money laundering scheme arising from a notorious foreign fraud. As alleged, a Russian criminal enterprise sought to launder some of its billions in ill-gotten rubles through the purchase of pricey Manhattan real estate. While New York is a world financial capital, it is not a safe haven for criminals seeking to hide their loot, no matter how and where their fraud took place."

ICE HSI Special Agent-in-Charge James T. Hayes, Jr. said: “The complaint announced today further displays the U.S. Government's resolve in combating alleged corruption globally. ICE HSI will continue to aggressively pursue civil and criminal actions targeting those attempting to launder illicit profits.”

District Attorney Cyrus R. Vance, Jr. said: “Manhattan may have some of the most desirable real estate in the world, but it is not the place to purchase it if you are allegedly doing so with dirty money. We are very grateful to the United States Attorney’s Office for its close partnership on this matter, and pleased to have developed and referred this asset forfeiture and civil money laundering case to the federal government.”

As alleged in the Complaint and other court documents:

In 2007, a Russian criminal organization engaged in an elaborate tax refund fraud scheme resulting in a fraudulently-obtained tax refund of approximately \$230 million from the Russian treasury. As part of the fraud scheme, members of the organization stole the corporate identities of portfolio companies of the Hermitage Fund, a foreign investment fund operating in Russia. The organization’s members then used these stolen identities to make fraudulent claims for tax refunds.

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

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

Members of the organization who were officials at two Russian tax offices corruptly approved the requests within one business day, and approximately \$230 million was disbursed to members of the organization, purportedly on behalf of the Hermitage companies, two days later.

After perpetrating this fraud, members of the organization undertook illegal actions in order to conceal this fraud and retaliate against individuals who attempted to expose it. After learning of the lawsuits against its portfolio companies, Hermitage retained attorneys, including Russian lawyer Sergei Magnitsky, to investigate. Magnitsky and other attorneys for Hermitage uncovered the refund fraud scheme, and the complicity of Russian governmental officials in it, and were subject to retaliatory criminal proceedings. Magnitsky was arrested and died approximately a year later in pretrial detention.

Members of the criminal organization, and associates of those members, have also engaged in a broad pattern of money laundering in order to conceal the proceeds of the fraud scheme. In a complex series of transfers through shell corporations, the \$230 million from the Russian treasury was laundered into numerous accounts in Russia and other countries. A portion of the funds stolen from the Russian treasury passed through several shell companies into PREVEZON HOLDINGS, LTD., a Cyprus-based real estate corporation that is a defendant in the forfeiture action. PREVEZON HOLDINGS laundered these fraud proceeds into its real estate holdings, including investment in multiple units of high-end commercial space and luxury apartments in Manhattan, and created multiple other corporations, also subject to the forfeiture action, to hold these properties.

* * *

A chart containing the names of the companies subject to the forfeiture action and their known Manhattan real estate holdings is attached.

Mr. Bharara praised the outstanding investigative work of ICE HSI. He also thanked DANY for its assistance in the case.

This case is being handled by the Office’s Asset Forfeiture Unit. Assistant United States Attorneys Paul Monteleoni and Christine Magdo are in charge of the case.

Companies Subject to Civil Forfeiture Complaint and Known Manhattan Real Estate:

Prevezon Holdings, Ltd.	
Prevezon Alexander, LLC	250 East 49th Street, Unit Comm3
Prevezon Soho USA, LLC	
Prevezon Seven USA, LLC	127 Seventh Avenue, Retail Unit 2
Prevezon Pine USA, LLC	20 Pine Street, Unit 2308
Prevezon 1711 USA, LLC	20 Pine Street, Unit 1711
Prevezon 1810, LLC	
Prevezon 2009 USA, LLC	20 Pine Street, Unit 2009
Prevezon 2011 USA, LLC	20 Pine Street, Unit 1816
Ferencoi Investments, Ltd.	
Kolevins Ltd.	