

**IN THE MATTER OF
AN ARBITRATION UNDER THE RULES OF THE
UNITED NATIONS COMMISSION ON INTERNATIONAL TRADE LAW**

SERGEI VIKTOROVICH PUGACHEV

Claimant

v.

THE RUSSIAN FEDERATION

Respondent

NOTICE OF ARBITRATION

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September 21, 2015

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I. INTRODUCTION

1. Sergei Viktorovich Pugachev, a citizen of France (“Claimant”), hereby serves notice of the initiation of an arbitration proceeding under the 1976 Arbitration Rules of the United Nations Commission on International Trade Law (the “UNCITRAL Rules”) against the Russian Federation (“Russia” or “Respondent”) pursuant to Article 7 of the Agreement Between the Government of the Republic of France and the Government of the United Soviet Socialist Republics on the Reciprocal Promotion and Protection of Investments (the “France-Russia BIT” or the “Treaty”) dated July 4, 1989, which entered into force on July 18, 1991 (enclosed). Mr. Pugachev has duly authorized the undersigned to initiate and pursue arbitration proceedings on his behalf against Russia under the Treaty.
2. Claimant Mr. Pugachev is a businessman and public figure who is personally known to President Vladimir Putin and other high-level members of the Russian Government. Since 2009, the Russian Federation has targeted Mr. Pugachev and has taken concerted action to strip Mr. Pugachev of his multi-billion dollar investments in Russia without compensation, in breach of Mr. Pugachev’s rights under the France-Russia BIT and international law. Through its various branches and organs, including the judiciary, the Russian Federation has mistreated Mr. Pugachev and his investments, outright taken several investments without paying any compensation, coerced Mr. Pugachev to enter into transactions on unfavorable terms, threatened the security and wellbeing of Mr. Pugachev and his family, and commenced unfounded criminal proceedings against him.
3. Russia’s systematic and multipronged persecution of Mr. Pugachev violates Russia’s obligations under the France-Russia BIT and international law. Through these arbitration proceedings, Claimant seeks, *inter alia*, compensation and damages to fully compensate Mr. Pugachev for Russia’s breach of its obligations under the Treaty in an amount of no less than US\$ 12 billion.

II. THE PARTIES

A. Claimant

4. Claimant is a national of France under the laws of the Republic of France.

5. Mr. Pugachev is represented in this arbitration proceeding by King & Spalding LLP. All communications intended for Mr. Pugachev should be addressed to:

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B. Respondent

6. Respondent is the Russian Federation, a sovereign State and a Contracting Party to the France-Russia BIT. Claimant provides notice of this arbitration to the Russian Federation through:

Sergei Viktorovich Lavrov
Minister of Foreign Affairs
Ministry of Foreign Affairs of the Russian
Federation
Denezhniy per. 18
Moscow, 119002
Russian Federation

7. Additionally, Claimant has served courtesy copies of the Notice of Arbitration on:

Anton Germanovich Siluanov
Minister of Finance
Ministry of Finances of the
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9 Ilyinka Street
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Alexey Valentinovich Ulyukayev
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23 Ilyinka Street
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III. FACTUAL BACKGROUND

8. Following a brief introduction to Mr. Pugachev and his background (Section A) is an overview of Respondent's actions in breach of the Treaty and international law relating to four of Mr. Pugachev's investments in Russia, which form the basis of the present dispute. These investments are Claimant's investment in: the Red Square real estate development (the "Red Square Project") (Section B); the Severnaya Verf shipyard ("Northern Shipyard") and Baltiyskiy Zavod shipyard ("Baltic Shipyard") in St. Petersburg, as well as an associated construction bureau known as the Central Design Bureau Iceberg (individually, "Iceberg" and collectively with Northern Shipyard and Baltic Shipyard, the "Shipyards") (Section C); Enisey Production Company ("EPC") and EPC's license to develop and mine the coking coal deposit in the Elegend Plateau at the Ulug Khemsky coal basin in Tuva (Section D); and 167 plots of land in the Krasnogorsky District of the Moscow Region through his company ZAO Optik Trade ("Optik Trade") (Section E). Section F discusses certain other investments of Mr. Pugachev that have been adversely affected as a result of Respondent's conduct in violation of the Treaty and international law.

A. Overview

9. In the early 1990s, a group of businessmen emerged as billionaires from the period of Russian market liberalization led by Mikhail Gorbachev. These businessmen were instrumental in President Putin's rise to power at the turn of the century.
10. Claimant Sergei Pugachev is a member of this relatively small group of Russian businessmen. Mr. Pugachev obtained a degree in economics from the Moscow University of Methodology of Knowledge and subsequently wrote a doctoral thesis for his PhD, as well as a number of articles and book chapters, on macroeconomic theory. A businessman by profession, Mr. Pugachev became increasingly involved in Russian politics in the mid-1990s. He helped lead former President Boris Yeltsin to victory in the 1996 Russian elections. Next, he played a key role in President Putin's rise to power in 2000. Mr. Pugachev became the economic advisor to President Putin's administration and, given his expertise in the banking sector, the media referred to him as "the Kremlin's banker."
11. Mr. Pugachev started from humble beginnings. After managing several small businesses in various sectors, including the clothing and construction industries, Mr. Pugachev expanded his business operations into banking. In 1992, he founded a private Russian bank, the International Industrial Bank ("IIB").
12. At the start of this century, Mr. Pugachev decided to enter into Russian politics himself. He was elected an independent member of the Federal Council (upper chamber) of the Federal Assembly (Russian Parliament) from the Republic of Tuva in southern Siberia in 2001. He held this position for close to ten years.
13. In compliance with Russian law, which prevented him from directly engaging in commercial activities while holding a position on the Federal Council, Mr. Pugachev resigned from his management position at IIB. Russian law permitted him to hold shares in Russian companies. Accordingly, Mr. Pugachev created the United Industrial Corporation ("OPK") to serve as the primary holding company for his various business interests. He completed his corporate restructuring in 2004, using the legal tools available to him, including offshore restructuring, to maximize tax efficiency and protect

his investments from unlawful interference by the Government. He was thus able to focus on the needs of his political constituency through his position on the Federal Council, but retained ownership of his investments in Russia in a manner compliant with Russian law.

14. As President Putin settled into the Presidency, he embarked on a campaign to solidify his image as the most powerful man in Russia. The progression of President Putin's political career and his role in the Russian Government are key to the events underlying the present Treaty claims. From the time President Putin came to power in 2000, through 2008, Mr. Putin served as President of the Russian Federation, having won his reelection in 2004. Due to constitutionally mandated term limits, President Putin was not eligible to serve as president for a third consecutive term. Dmitry Medvedev won the 2008 presidential election, but Mr. Putin refused to cede his power. In a power-switching move, on May 8, 2008 – one day after Mr. Putin handed the presidency to Mr. Medvedev – the latter appointed Mr. Putin as Prime Minister of Russia, a position that permitted Mr. Putin to maintain his political dominance and effectively to control Mr. Medvedev behind the scenes.
15. Toward the end of Mr. Medvedev's presidency, in September 2011, Mr. Putin announced that he would seek a third, non-consecutive term as president in the 2012 elections. Mr. Putin won the 2012 election and remains President of the Russian Federation to the present day. Although Mr. Putin held different positions in the Russian Government during the course of the events giving rise to this claim, for ease of reference, he will be referred to as "President Putin" throughout the remainder of this Notice of Arbitration.
16. While – and partly because – President Putin sought to intensify his grip over political power and influence in Russia, a political struggle emerged between President Putin and the group of wealthy businessmen who had helped him gain the Presidency. President Putin embarked on a campaign to force these influential individuals to give up their political power and some of their wealth in exchange for their personal safety.
17. In more recent years, President Putin has directly targeted and persecuted some of the Russian businessmen who have fallen out of favor with the Kremlin. Some of those Russian businessmen and politicians had been forced into exile (for example, the media

mogul Vladimir Gusinsky), or their companies had been expropriated and they had been put behind bars (for example, Mikhail Khodorkovsky). Another example of the consequences of falling out of favor with President Putin and the Russian Government is the fate of Boris Berezovsky, one of the richest and most powerful of the Russian oligarchs, who also was a key figure behind President Putin's rise to power. In 2000, Mr. Berezovsky was forced to flee Russia for safety reasons, but continued to receive death threats from individuals associated with the Russian Government. In 2013, he was found dead at his home in Berkshire, UK.

18. Around 2009, President Putin began to direct his attention toward Mr. Pugachev and his investments in Russia. By 2009, Mr. Pugachev had acquired French citizenship and he has maintained French nationality continuously since then. He has moved to France and resides there permanently.

B. The Red Square Project

1. Mr. Pugachev's Investment in the Red Square Project

19. In 2000, the Office of the President of the Russian Federation announced a project to redevelop certain historic buildings adjoining the Red Square in Moscow (the "Red Square Buildings"). For that purpose, a state enterprise with the name "Kremlevskiy" was created and, on April 12, 2002, it was granted the right to manage the buildings. On August 9, 2004, Kremlevskiy entered into an investment agreement with Mr. Pugachev's company OOO Middle Trading Rows ("STR") (the "Red Square Investment Agreement"). The Red Square Investment Agreement envisaged an investment of approximately US\$ 140 million for the renovation and redevelopment of the Red Square Buildings into a luxury hotel and high-end residential complexes. This amount was later increased to US\$ 300 million by agreement of the parties.
20. In return for STR financing a significant part of the project, STR was to acquire title to the residential part of the Red Square Buildings upon its completion, whereas Kremlevskiy would obtain the right to manage the main building with the hotel complex, the car park and the atrium.

21. In addition to its financing obligations under the Red Square Investment Agreement, STR undertook to assist in the financing of the construction of housing for military personnel outside the Red Square area. In this connection, STR made payments totaling RUB 1,500,000,000 to the Ministry of Defense (US\$ 56 million). These payments by STR were financed through a loan provided by IIB.
22. The Office of President Putin formally approved the terms and conditions of the Red Square Investment Agreement by its Order of February 14, 2005.
23. Ernst and Young performed an initial valuation of the development at Red Square, which was valued at US\$ 950 million as of July 1, 2008.
24. In order to discharge its financing obligations under the Red Square Investment Agreement, STR applied for and received loans from IIB in the total amount of approximately US\$ 110 million, and obtained loans from the state-owned bank Vneshtorgbank (“VTB”) in the amount of approximately US\$ 300 million. STR engaged the services of OPK Development, a construction company that Mr. Pugachev owned at the time, to undertake the construction, renovation, and management of the Red Square Buildings.
25. Mr. Pugachev invested considerably in getting the Red Square Project underway. OPK Development embarked on the process of informing and receiving approval from the various State authorities regarding the pending construction work, which included demolition and complex reconstruction and redevelopment.

2. Respondent Expropriated Mr. Pugachev’s Investment in the Red Square Project

26. Without any prior notice to STR, on April 13, 2009, President Medvedev issued Decree No. 226-r, in which he instructed the Government to transfer the management rights over the Red Square Buildings from the state enterprise Kremlevskiy to a different governmental agency, the Federal Guard Service. This Decree was later modified, on October 23, 2009, to expressly call for the annulment of the Red Square Investment Agreement with STR. Mr. Putin, at that time serving as Prime Minister, signed an Order

on November 5, 2009, by which he also called for the annulment of the Red Square Investment Agreement.

27. The problem confronting President Medvedev and Prime Minister Putin, however, was that there was no legal basis to annul the Red Square Investment Agreement. On December 29, 2009, the Government instructed the Ministry of Finance and other government departments to investigate further.
28. The Government initially had envisaged the payment of compensation to STR in the region of RUB 5.5 billion, an obligation that it inserted as an amendment to the Law on the Federal Budget for 2009 on April 28, 2009. The Government also had recognized its obligation to compensate STR for its financing of the construction of housing for military personnel in the Red Square area in the sum of US\$ 56 million. At some point in 2009, however, Mr. Putin decided simply to confiscate the Red Square Buildings without paying any compensation. Notably, the Law on the Federal Budget was never amended to reflect Putin's decision. No compensation was ever paid.
29. On April 9, 2011, Claimant commenced a legal action for unjust enrichment seeking recovery of the amounts Claimant invested in the Red Square Project prior to Respondent's confiscation of Claimant's investment. The preliminary estimate of damages for this claim was RUB 3,362,823,824 and payment of unpaid interest equal to RUB 255,574,610.62 (approximately US\$ 130 million in total).
30. The case progressed through the Russian courts over several years. Although Mr. Pugachev partially prevailed on his claims before the trial court, ultimately, the Federal Arbitrazh Court of the District Court of Moscow held on July 30, 2013 that the Red Square Investment Agreement was null and void under Russian law because it violated Russian Decree No. 1982ss, dated October 5, 1994. Accordingly, it ruled that STR was not entitled to any compensation for the expropriation of its investment in the Red Square Project.
31. STR was not afforded an opportunity to make submissions on the relevance of Russian Decree No. 1982ss before the Russian courts because Decree No. 1982ss is classified as "top secret." As such, its contents are not known to the public and, to this day, STR has

not had sight of the Decree. In these circumstances, it is impossible to know whether the Decree is genuine. Even if it were genuine, then it would have been known to the Russian Government at the time it approved the Red Square Investment Agreement in 2005.

32. While the legal proceeding for unjust enrichment against the Government was underway in the Moscow Arbitrazh Court, STR filed a separate lawsuit before the same court seeking additional compensation for STR's losses in the amount of RUB 41,058,976,614.87 (approximately US\$ 1.4 billion). This amount represented (i) the interest that STR had paid on loans it had taken from IIB to perform its obligations under the Red Square Investment Agreement in the amount of RUB 1,435,189,774.87 (approximately US\$ 49 million), and (ii) the lost profits that it would have received had the Government complied with the terms of the Red Square Investment Agreement in the amount of RUB 39,623,786,840 (approximately US\$ 1.35 billion).
33. On August 20, 2013, following the decision of the Ninth Arbitrazh Appeal Court denying STR any relief on its claim of unjust enrichment against the Government, the Moscow Arbitrazh Court discontinued STR's separate action for direct loss and lost profits on the basis of *res judicata*. The Moscow Arbitrazh Court did not examine the merits of the claim. The appellate courts denied all of STR's subsequent appeals, and STR has exhausted all domestic judicial remedies available to it.
34. As a direct result of the Government's expropriation of the Red Square Project without any compensation, STR was not able to repay its loan from IIB. In October 2013, the Moscow Arbitrazh Court declared STR bankrupt.

C. The Shipyards

1. Mr. Pugachev's Investment in the Shipyards

35. In 1999, the managers of Northern Shipyard in St. Petersburg approached IIB seeking a loan to finance the expansion of a refueling station for ships at Northern Shipyard. In his capacity as then Chairman of IIB, Mr. Pugachev visited Northern Shipyard. At the time, the shipyard was dilapidated and in a state of neglect. No new ships had been built at

Northern Shipyard in over 20 years, and the business had been reduced to renting the premises to small businesses for use as a storage facility.

36. Mr. Pugachev, however, recognized its potential, and he devised a business plan to redevelop Northern Shipyard. He proposed to invest in the shipyard and manage the project in return for an equity stake in Northern Shipyard, and the then-managers of Northern Shipyard agreed to this proposal. In this manner, Mr. Pugachev acquired an equity stake in Northern Shipyard.
37. Over the ensuing years, Mr. Pugachev invested further, and acquired additional stakes in Northern Shipyard and another shipyard located in St. Petersburg, Baltic Shipyard, as well as a construction bureau affiliated with the shipyards known as Iceberg. By 2009, Mr. Pugachev held majority interests of 75.82% in Northern Shipyard; 88.32% in Baltic Shipyard; and 64.82% in Iceberg (the “Shipyard Interests”).
38. As a direct result of Mr. Pugachev’s investments and management efforts, the Shipyards have become one of Europe’s most successful shipbuilding enterprises. Northern Shipyard specializes in the construction of military ships, including missile cruisers and frigates. Following Mr. Pugachev’s involvement and investment, Northern Shipyards has obtained a 75% market share in the production of warships. Baltic Shipyard is one of Russia’s leading shipyards with its 350-meter slipway making it the only shipyard in Russia capable of building extra-heavy tonnage military and civil vessels. It also is the only shipyard in Russia with expertise in the construction of nuclear icebreakers and extra heavy-tonnage vessels for cargo carriage of liquefied gas and oil tankers. Iceberg is Russia’s leading designer of high-power Arctic icebreakers.
39. As is explained further below, Respondent embarked on an ultimately successful campaign to take Mr. Pugachev’s Shipyard Interests in violation of Respondent’s obligations under the Treaty and international law. Respondent achieved this goal by first forcing Mr. Pugachev to agree to sell the Shipyards to the Government on highly unfavorable terms, and dictating an unusual sale structure by which the Government would acquire the Shipyards through the Central Bank of Russia. In the end, the sale structure that Respondent forced upon Mr. Pugachev enabled the Government to take the

Shipyard Interests without fulfilling its obligations under the terms of the sale, and without paying Mr. Pugachev compensation for the taking.

2. *The Government Expropriated the Shipyard Interests through the Russian Central Bank*

40. In 2007, the Russian Government created the United Shipbuilding Corporation (“USC”) to consolidate its own shipyard interests. USC is 100% State-owned. It is tasked with supporting and developing the Russian shipbuilding industry.
41. By 2009, USC had acquired a stake of 24.49% in Iceberg and a stake of 20.96% in Northern Shipyard. The remainder of USC’s portfolio was in less profitable shipbuilding assets.
42. In November 2009, President Putin invited Mr. Pugachev to meet with him in person at the President’s summer residence. During the meeting, President Putin told Mr. Pugachev that USC wanted to purchase Mr. Pugachev’s Shipyard Interests. He told Mr. Pugachev in no uncertain terms that he should “agree” to the sale.
43. At the time, Mr. Pugachev had been planning to redevelop part of the Shipyards through Claimant’s construction company OPK Development, and had already entered into a construction contract for that purpose. Part of the reorganization strategy was to relocate certain Baltic Shipyard operations into Northern Shipyard and for the unused shipyard facilities to be redeveloped as a residential and commercial complex by OPK Development. The Shipyards had received loans in excess of US\$ 500 million from VTB for that purpose. In light of his meeting with President Putin in November 2009, Mr. Pugachev realized that he did not have any choice in the matter and would have to discontinue the redevelopment to comply with President Putin’s instructions.
44. Accordingly, Mr. Pugachev asked Mr. A. V. Gnusarev, the Chairman of the Board of Directors of OPK (Mr. Pugachev’s holding company), to send a letter to President Putin proposing that USC should increase its stake in the Shipyards in line with what President Putin had instructed Mr. Pugachev to do. On November 23, 2009, Mr. Gnusarev sent the requested letter to President Putin, and the President, in turn, forwarded the letter to USC with the annotation “Please Review.”

45. USC requested that the Russian Ministry of Trade and Industry prepare a report about the Shipyards. The Ministry issued a report on February 3, 2010, concluding that it would be beneficial to increase the State's participation in the Shipyards. Accordingly, the Russian Government devised a plan for USC's acquisition of the Shipyard Interests. The key figure in this process was Mr. Sechin, who is widely regarded as being the mastermind behind the destruction of Yukos Oil Company. During this period leading up to the expropriation of the Shipyard Interests, Mr. Sechin was simultaneously the Deputy Prime Minister of the Russian Government and the Chairman of the Board of Directors of USC.
46. The Russian Government did not want to have a transparent structure for the sale, which would have entailed financing the acquisition of the Shipyards by an allocation from the federal budget to be approved by the Russian Parliament. The Russian State officials discussed several plans with Mr. Pugachev, and ultimately they decided that the Central Bank of Russia (the "Central Bank") would facilitate the acquisition of the Shipyard Interests.
47. The plan was as follows. The Central Bank had granted unsecured loans to IIB as part of the Government bailout offered to several Russian banks at the onset of the financial crisis in late 2008. These unsecured loans would be restructured and a new schedule of payments would be established. Mr. Pugachev was required to pledge the Shipyard Interests in favor of the Central Bank as security for those loans. It was envisaged that IIB would default on a repayment and this would allow the Central Bank to enforce the pledge and sell the Shipyard Interests to USC at their market price, which was to be determined by an independent valuation expert. Mr. Pugachev would be paid the difference between the market price for the Shipyard Interests and IIB's debt to the Central Bank. Mr. Pugachev then would have a claim for the amount of this debt against IIB as he would replace the Central Bank as IIB's creditor.
48. On May 24, 2010, representatives of the Central Bank, IIB and Mr. Pugachev met to discuss how to implement the transfer of ownership of the Shipyard Interests. At that meeting, IIB raised a potential obstacle to the Russian Government's plan, which was the fact that the Shipyard Interests had already been pledged to IIB as security for a loan from IIB to the Shipyards. The Central Bank insisted that IIB would have to terminate

any existing pledges over the Shipyards Interests so that the Central Bank could obtain good security.

49. The Russian Government gave Mr. Pugachev no choice but to accept this proposal. Mr. Pugachev had several discussions with the Russian Government. Ultimately, he accepted Respondent's proposal on a good faith basis, consenting only to the pledging of the shares for the Shipyards in order to sell the Shipyard Interests.
50. The Russian Government's plan was then implemented. On July 8, 2010, the Central Bank and IIB signed a Credit Restructuring Agreement (the "Restructuring Agreement"), pursuant to which the Central Bank agreed to consolidate and restructure IIB's indebtedness to it in the total amount of RUB 31,976,832,274.51 (approximately US\$ 1 billion), with interest on the principal accruing at an annual rate of 12.03%. The Restructuring Agreement included a detailed and aggressive repayment schedule. Moreover, under the terms of the Restructuring Agreement, the proceeds from the sale of EPC (discussed below in Section D) would be made available as additional security for the IIB loan.
51. Then, and in accordance with the Russian Government's plan, IIB terminated its security over the shares in the Shipyards, and the Central Bank entered into a series of pledge agreements with Mr. Pugachev's companies in respect of the Shipyard Interests (jointly, the "Shipyard Pledges") on July 15, 2010.
52. On August 27, 2010, within the 45-day deadline established for the valuation of the Shipyard Interests under the Shipyard Pledges, IIB sent the valuations of the Shipyard Interests prepared by OOO Valuation and Financial Consulting ("VFC") to the Central Bank. VFC valued Mr. Pugachev's shares in Northern Shipyard at RUB 39.267 billion (approximately US\$ 1.281 billion); Baltic Shipyard at RUB 42.207 billion (approximately US\$ 1.377 billion); and Iceberg at not less than RUB 650 million (approximately US\$ 21.2 million). In sum, VFC valued the Shipyard Interests at RUB 82.124 billion (approximately US\$ 2.679 billion). The Russian Central Bank did not challenge the accuracy of VFC's valuations.

53. Shortly thereafter, on September 2, 2010, IIB defaulted under the Restructuring Agreement.
54. On September 30, 2010, another appraiser that IIB had engaged, the international accounting firm BDO, issued its valuations of the Shipyard Interests. BDO valued Mr. Pugachev's shares in Northern Shipyard at RUB 65 billion (approximately US\$ 2.112 billion); Baltic Shipyard at RUB 36 billion (approximately US\$ 1.156 billion); and Iceberg at RUB 426 million (approximately US\$ 13.8 million) in Iceberg. In sum, BDO valued the Shipyard Interests at RUB 101.36 billion (approximately US\$ 3.2818 billion). Again, the Central Bank did not challenge the accuracy of BDO's valuations.
55. Throughout this period in which the valuations of the Shipyard Interests were undertaken, there was close coordination between the Central Bank as the facilitator of the Russian State's acquisition of the Shipyard Interests and USC as the State entity that would ultimately own and manage the Shipyards. For instance, on July 20, 2010, the acting Chairman of the Central Bank wrote to Mr. Sechin of USC asking Mr. Sechin to inform him who the appraiser of the Shipyard Interests should be. It appears that Mr. Sechin requested the Central Bank to appoint Grant Thornton to value the Shipyard Interests because, on August 4, 2010, the Central Bank wrote to IIB requesting IIB's consent to appoint Grant Thornton. IIB did not consent to this because Grant Thornton had already been appointed by USC before the Shipyard Pledges were executed to value the Shipyard Interests. This was a clear conflict of interest.
56. At some point in August/September 2010, USC came to realize that it would not be able to raise the funds to purchase the Shipyard Interests from the Central Bank at the market price as contemplated under the Shipyard Pledges. At the instigation of Mr. Sechin, the Russian Government's plan then changed radically.
57. After IIB defaulted on the loan repayment (as planned) on October 4, 2010, the Central Bank suddenly revoked IIB's banking license and placed it under "temporary administration." The Central Bank thereby assumed immediate control over IIB, even though the default itself did not render automatic the insolvency of IIB. Rather, the default was the mechanism intended to ensure that the Central Bank would be required to purchase the shares of the Shipyards and in doing so, would extinguish the debt of IIB.

In other words, this transaction should have rendered IIB more financially sound. As a result of the Central Bank's unexpected revocation of IIB's license, however, IIB could no longer conduct business independently. This move by the Central Bank ensured that IIB would fall into bankruptcy. Indeed, on the application of the Central Bank, the Moscow Arbitrazh Court declared IIB bankrupt on November 30, 2010. At that time, Mr. Pugachev was no longer the owner of IIB. The solvency of the bank was not his concern or obligation. Rather, his concern was only to ensure that the Central Bank paid him an appropriate sum in a timely manner for his shares in the Shipyards.

58. The Moscow Arbitrazh Court appointed the Deposit Insurance Agency as liquidator. The Deposit Insurance Agency is a Russian state-owned entity founded in 2004 on the basis of Federal Law No. 177-F3, dated December 23, 2003. The Deposit Insurance Agency's original purpose was to insure bank deposits. On August 20, 2004, the Government gave the Deposit Insurance Agency an additional responsibility of acting as the liquidator of certain insolvent banks.
59. The Deposit Insurance Agency and the Russian Central Bank are closely connected as they share common directors on their respective boards. For example, one of the members of the Deposit Insurance Agency's Board of Directors, Mr. Ignatiev, was the chairman of the Central Bank during the period of these events, and was responsible for negotiating and signing the Restructuring Agreement and the Shipyard Pledges with IIB on behalf of the Central Bank.

3. Russian Court Proceedings Leading to the Auction of the Shipyard Interests at Significant Undervalue

60. Having revoked IIB's banking license, the Central Bank sought to gain possession of the Shipyard Interests through the Russian courts by enforcing the Shipyard Pledges it had obtained just a few months earlier. The Central Bank filed claims with the Moscow Arbitrazh Court in October 2010 (the "Shipyard Proceedings"). The Deposit Insurance Agency formally represented IIB's interests in the Shipyard Proceedings.
61. Around the same time, Mr. Sechin and other Russian officials issued a series of written instructions to various Russian State agencies to cooperate with the Central Bank and USC to facilitate the "transfer" of ownership of the Shipyard Interests to USC. These

instructions were given at the very time that the ownership of the Shipyard Interests was in dispute before the Russian courts. In fact, these written instructions actually were sent to the Supreme Arbitrazh Court—the court with final jurisdiction over the Shipyard Proceedings.

62. These instructions acknowledged that USC did not have the funds to acquire the Shipyard Interests and hence various other alternatives had to be explored. Among the recommendations was for the FSB (the successor to the KGB) to explore whether the management of the Shipyards had committed any criminal offenses. Criminal proceedings were later opened against the General Director of the Baltic Shipyard, Mr. Fomichev.
63. While the Shipyard Proceedings were underway, on June 3, 2011, Messrs. Bashmakov and Mr. Dunayev, two representatives of Mr. Miroshnikov, who was the Deputy General Director of the Deposit Insurance Agency, met with Mr. Pugachev in France. Mr. Pugachev had been informed by a representative of Mr. Miroshnikov that the meeting would be to resolve the issue of the Shipyard Interests. At the meeting, Mr. Dunayev shouted at Mr. Pugachev and ordered him to pay the sum of USD 350 million, of which USD 150 million were to go to Mr. Miroshnikov, explaining that it was the “price of peace,” and that at that price, Mr. Miroshnikov could guarantee “his family’s protection.”
64. Mr. Pugachev refused to pay the bribe and thereafter filed a criminal complaint in France regarding Respondent’s threats to Mr. Pugachev and his family, and its forcible attempt to solicit a bribe.
65. In early September 2011, President Putin signaled his impatience to see the sale of the Shipyard Interests completed. At a press conference, President Putin stated that Claimant was responsible for resisting the transfer of ownership in the Shipyards to the State, and threatened to intervene himself if Mr. Pugachev’s holding company, OPK, did not show “common sense.”
66. Under increasing pressure from President Putin and the Russian Government to complete the transfer of the Shipyard Interests, the Central Bank applied to the Moscow Arbitrazh Court seeking orders in the Shipyard Proceedings to compel the transfer of the Shipyard

Interests into a trust to be managed by the Central Bank. The Court granted those orders on September 29, 2011 with respect to the Baltic Shipyard and on October 17, 2011 with respect to the Northern Shipyard. This was a flagrant violation of Russian law: trust management cannot be imposed upon an owner of property without the owner's consent. The violation was compounded further when the Central Bank then delegated its trust responsibilities to USC. The extraordinary result of this abuse of judicial power was that the State entity that had been preordained to acquire the Shipyard Interests was in full control of the Shipyards during the course of legal proceedings that would determine the auction price for the Shipyard Interests in the subsequent public auction.

67. Also while the Shipyard Proceedings were underway, President Putin visited Baltic Shipyard on December 2, 2011. He personally informed the employees that the Baltic Shipyard would be made bankrupt, and that all employee contracts would be transferred to a new entity. That same day, Judge Ageeva, who was presiding over the Baltic Shipyard proceedings, ordered that the court file be sealed on the basis that it contained certain classified documents. Judge Ageeva required that the parties and their legal representatives obtain security "clearance certificates" to attend future hearings. Such certificates are very difficult to procure.
68. On February 8, 2012, Judge Kitova, who was presiding over the Northern Shipyard proceedings, issued the same order, employing identical language. Even those representatives of the Baltic Shipyard and the Northern Shipyard who obtained the court-ordered special clearance certificates were not permitted to make copies of the court files or to take notes when inspecting the court files. By these means, the Russian courts deprived the parties and their representatives of their right to attend the hearings and thwarted their ability to prepare an effective defense.
69. On December 29, 2011, at a closed hearing, the Moscow Arbitrazh Court held that the Baltic Shipyard shareholders had forfeited their Shipyard Interests, and set the starting price for the sale of shares at RUB 222 million (approximately US\$ 6.9 million). This meant that an asset that had been valued in 2010 by the independent appraiser VFC at approximately US\$ 1.4 billion and BDO at approximately US\$ 1.156 billion, was now

available for the State to purchase at approximately US\$ 6.9 million, representing a discount of over 99% on either valuation.

70. An auction of the Baltic Shipyard took place, and USC, who still had control over both Shipyards at the time of their auctions, acquired the Baltic Shipyard with a winning bid of RUB 224 million (approximately US\$ 6.9 million).
71. On February 15, 2012, the Moscow Arbitrazh Court likewise held that the Northern Shipyard shareholders had forfeited their Shipyard Interests, and set the starting price for the sale of shares at approximately US\$ 487 million. This meant that an asset that had been valued in 2010 by the independent appraiser VFC at approximately US\$ 1.3 billion and BDO at approximately US\$ 2.112 billion, respectively, was now available for the State to purchase at approximately US\$ 482 million, representing a discount of over 60% on the VFC valuation and over 75% on the BDO valuation.
72. The auction of the Northern Shipyard took place on August 7, 2012. Mr. Pugachev was not permitted to know the time and place of the auction. USC acquired the Northern Shipyard with a winning bid of RUB 12.45 billion (approximately US\$ 394 million).
73. On early 2012, the Moscow Arbitrazh Court ruled that the Iceberg shareholders had forfeited their Shipyard Interests, and set the starting price for the sale of the shares at RUB 343 million (approximately US\$ 11.6 million). On December 5, 2012, the auction of Iceberg took place. USC acquired the Iceberg shares with a winning bid of RUB 306 million (approximately US\$ 9.9 million).
74. The Shipyard Interests thus were sold at a colossal undervalue and, as a result, the proceeds from the auctions were insufficient to pay back the Central Bank loan extended to IIB, let alone any other outstanding demands from IIB's creditors.
75. On the basis that the sums so recouped were insufficient to cover IIB's debts, the Deposit Insurance Agency proceeded to take the next step in the Government's scheme to destroy Mr. Pugachev: it instituted legal proceedings against Mr. Pugachev for "subsidiary liability" for IIB's outstanding debts, and criminal proceedings for allegedly purposefully bankrupting IIB.

76. On April 30, 2015, the Moscow City Arbitrazh Court upheld the Deposit Insurance Agency's claim of "subsidiary liability" against Mr. Pugachev for the debts of IIB. The criminal proceedings against Mr. Pugachev related to the bankruptcy of IIB are currently pending. Both proceedings are characterized by serious irregularities and abuse of power on the part of the Russian authorities. To take but one example, a criminal case was opened in relation to the bankruptcy of IIB in 2011. Over the next few years, the Chairman of the Management Committee of IIB, Mr. Didenko, was interrogated by the prosecuting authorities on several occasions but did not give evidence against Mr. Pugachev. Mr. Didenko was then named in the criminal proceedings as a defendant in December 2013. In August 2014, he was arrested and held in custody for several months. During that time in custody, he entered into a cooperation agreement with the Investigative Committee of the Russian Federation and provided testimony against Mr. Pugachev. He then was released under house arrest. His testimony became a critical part of the Deposit Insurance Agency's case against Mr. Pugachev for "subsidiary liability." Although the Moscow City Arbitrazh Court only had access to redacted versions of Mr. Didenko's statement as well as the redacted statements of other former managers at IIB, it heavily relied on those statements in its judgment. Mr. Didenko subsequently was found guilty of embezzling RUB 28 billion from IIB but was given only a suspended custodial sentence due to his cooperation with the Investigative Committee.
77. Importantly, key members of IIB's management, such as the chairman Gerald Kowalski, have not provided witness statements in either the Russian civil or criminal proceedings. The Government relies primarily on a declaration from David Henderson Stewart, trustee of an entity that Mr. Pugachev established at least 10 years ago, when he divested his interests in IIB. The manner in which the Russian proceedings have been conducted and the implausible allegations they raise against Mr. Pugachev demonstrate the politically motivated nature of the proceedings.
78. In this way, Respondent expropriated Mr. Pugachev's investments in the Shipyard Interests without compensation, and continues to persecute Mr. Pugachev abroad, directly causing significant damage to his business interests outside of Russia as well.

D. The EPC Investment

1. Mr. Pugachev's Investment in EPC

79. In 2000, EPC, a Russian company, acquired a license to exploit the Elegest Plateau of the Ulug Khemsky coal basin in Tuva, which is a remote region of central southern Russia that borders Mongolia. The license was granted for an initial term until May 31, 2020. The Russian Government later authorized the construction of a railway that would be used to transport coking coal away from the site.
80. Mr. Pugachev acquired EPC in 2003. Claimant's companies made substantial investments to exploit the Elegest Plateau. The Elegest Plateau contains approximately one billion tons of coking coal, making it one of the largest coking coal deposits in the world. In the same year, investment agreements were signed between EPC and the Federal Agency for Rail Transport for the construction of a railway to transport the mined coking coal.
81. At the same time, Mr. Pugachev decided to seek a foreign partner for the EPC project. In November 2008, OPK Mining signed a Feasibility Study and Share Rights Agreement with the Japanese conglomerate Mitsui, pursuant to which Mitsui paid more than US\$ 7 million for the right to study a possible investment in OPK Mining.

2. The Government's Revocation of the EPC License and the Resulting EPC Bankruptcy

82. By 2010, President Putin's intention to destroy Mr. Pugachev had become clear. He had already ordered the expropriation of the Red Square Project, which had bankrupted Mr. Pugachev's company, STR, and the expropriation of the Shipyard Interests was well underway.
83. In this context, Mr. Pugachev decided to sell EPC. In August 2010, OPK Mining engaged Credit Suisse to value EPC and identify a list of prospective bidders. At the same time, Ernst & Young issued its detailed valuation of EPC as of March 1, 2010 as RUB 72,000 million (US\$ 2.43 billion). Later in 2011, KPMG valued EPC with an upper figure of around US\$ 5 billion.

84. Claimant received several offers from a number of bidders for EPC, including from Mitsui and the steel conglomerate controlled by the Mittal family.
85. When President Putin learned of this development, he personally warned Mr. Pugachev not to sell EPC to a foreign investor. Mr. Pugachev had no choice but to cease negotiations with any foreign bidder. Mr. Pugachev also took steps to shield his investment in EPC from the increasing risk of expropriation by the Russian Government. Accordingly, Mr. Pugachev transferred his investment in EPC to a Russian company – Basterre – owned by his son, Viktor Pugachev. Mr. Pugachev and his son had an understanding that if Basterre secured a suitable Russian buyer (as President Putin demanded), then Mr. Pugachev would be the ultimate beneficiary of a portion of the proceeds of the sale of EPC from Basterre to the Russian bidder.
86. Igor Altushkin, the founder of the Russian Copper Company (“RMK”), the third largest copper producer in Russia, emerged in early 2011 as the only possible buyer for EPC given President Putin’s directive that EPC must be sold to a Russian buyer. Basterre instructed Debevoise & Plimpton and Credit Suisse for the transaction, whereas Mr. Altushkin was represented by Jones Day. Basterre signed the Sale and Purchase Agreement on June 9, 2011 (the “SPA”) with Devecom Ventures Ltd. (“Devecom”), RMK’s investment vehicle for this transaction, for USD 800 million with future upside dependent on subsequent events that would take place. Mr. Altushkin represented to Mr. Pugachev that President Putin had approved his offer. This sum was far below the true value of EPC, but, under pressure from President Putin and the Russian Government, Mr. Altushkin’s offer was the only available option.
87. Mr. Altushkin made the first payment under the SPA to Basterre in the amount of US\$ 150 million. Pursuant to the understanding between Mr. Pugachev and Basterre, Basterre, under the direction of Victor Pugachev, would keep and use the first payment of US\$ 150 million, and Mr. Pugachev would be the beneficiary of the remaining payments that Devecom was required to make under the SPA. After the SPA was executed but before the full purchase price was paid, Mr. Altushkin arranged to be appointed Chairman of the Board of EPC and for his Chechen business partner, Ruslan Baysarov, to

be appointed General Manager of EPC and member of the Board of EPC. Mr. Baysarov is a known close associate of the President of the Chechen Republic, Ramzan Kadyrov.

88. In November 2011, the Deposit Insurance Agency informed Devecom that it intended to reinstate and enforce certain pledges over EPC shares that had been pledged to IIB in exchange for several loans granted to Mr. Pugachev's various businesses. Those pledges, however, had previously been extinguished on August 6, 2010 as part of the protocol to execute the Restructuring Agreement between IIB and the Central Bank dated July 8, 2010.
89. In cooperation with the Deposit Insurance Agency, Devecom used this development as a pretext to renege on its obligation to make the remaining payments owed to Basterre under the SPA and failed to perform its other contractual obligations. By this time, Messrs. Altushkin and Baysarov effectively controlled EPC given the Board and management positions to which they had been appointed.
90. On July 26, 2012, Mr. Baysarov wrote to President Putin alleging that EPC was substantially indebted to IIB. He requested a meeting with Mr. Igor Shuvalov, who was the Russian First Deputy Prime Minister at the time, as well as other ministers, to discuss these alleged debts. Mr. Baysarov sent the letter as the General Director of a company called "OOO EPC," which did not even formally exist at the time the letter was written. The real EPC, whose shares were the subject of the SPA with Mr. Altushkin, was "ZAO EPC."
91. On the basis of this fraudulent letter, on August 14, 2012, President Putin instructed First Deputy Prime Minister Shuvalov in writing to schedule the requested meeting, which took place on September 4, 2012. During the meeting, Mr. Baysarov urged the Russian Government to find a means to revoke EPC's coal mining license. He told the Russian Government that he would bid for EPC's coal mining license if the Government agreed to revoke the current license. Mr. Miroshnikov, the deputy head of the Deposit Insurance Agency and one of the principal authors of the attack on Mr. Pugachev in Russia and abroad, attended the meeting as well.

92. On December 29, 2012, the Government revoked EPC's license, even though by its terms it was valid until 2020. The basis for the revocation was related primarily to alleged contractual defaults by EPC, which at that time was controlled by Messrs. Altushkin and Baysarov. The Government's unlawful revocation of the license in collusion with Messrs. Altushkin and Baysarov essentially left EPC as an empty shell company with no value.
93. The Government awarded an interim license to Tuva Energy Industrial Corporation ("TEIC"), which was a company incorporated by Mr. Baysarov a few months earlier. Later, through an auction process in which TEIC was the sole bidder, TEIC acquired the permanent license at a deeply discounted price relative to its market value. Mr. Altushkin and Devecom did not make the remaining payments owed under the SPA, which Mr. Pugachev would have received as the ultimate beneficiary. Currently, EPC is in bankruptcy proceedings.
94. As a result of the Government's scheme, in cooperation with Mr. Altushkin and his Chechen business partner Mr. Baysarov, the Russian Government expropriated EPC's license without paying any compensation to Basterre or Mr. Pugachev directly and handed control of EPC post-expropriation to Messrs. Altushkin and Baysarov.

E. The Land Plots

1. Mr. Pugachev's Investment in the Land Plots

95. Mr. Pugachev is the owner of ZAO Optik Trade ("Optik Trade"), a company that has ownership rights over a plot of land in the Krasnogorsky District of the Moscow Region that covers an area of 663,960 square meters (the "Plot"). Optik Trade purchased the Plot in August 2010 for RUB 4,907,000,000. The Plot had originally belonged to the farming collective Leninskii Luch ("LL Collective"). In 2003, the LL Collective contributed the Plot to the charter capital of ZAO Dmitrovskii Sovkhoz ("DS") in exchange for shares. Ownership of the Plot then changed hands on two further occasions prior to Optik Trade's acquisition.
96. After it acquired the Plot, Optik Trade applied for and received governmental approval to subdivide the Plot into 167 individual plots to be used for the construction of residences

(“167 Land Plots”). Optik Trade is the registered owner of all 167 Land Plots. The 167 Land Plots are collectively appraised as having a value of at least US\$ 250 million.

97. Claimant planned to develop the 167 Land Plots in conjunction with a second real estate development on land adjacent thereto (the “Gribanovo Real Estate Development”). The Gribanovo Real Estate Development was being developed through other companies directly or indirectly owned by Mr. Pugachev and for which relevant financing of over US\$ 1 billion had been obtained from VTB bank. Claimant’s company OPK Development was to manage the development of the Gribanovo and Optik Trade real estate projects.

2. The Russian Courts Deprive Optik Trade of Its Investment

98. In 2009, individual members of the LL Collective sought to have the original transaction with DS in 2003 annulled by an application to the Krasnogorodski City Court. That application was rejected as barred by the applicable limitation period of three years, which had expired in 2007.
99. On October 1, 2012, another attempt was made to challenge the original transaction with DS. This time, LL Collective as a legal entity filed a claim before the Moscow Arbitrazh Court against DS and Optik Trade, requesting a declaration by the Moscow Arbitrazh Court that LL Collective is the rightful owner of the 167 Land Plots.
100. LL Collective must have known that if a claim brought in 2009 was barred by the applicable limitation period, then a claim filed in 2012 would be rejected on the same basis. Under Russian law, however, a court is not obliged to apply the limitation period if none of the parties raises that defense.
101. Optik Trade was never informed about the case and, accordingly, could not raise the limitation period defense. As a result, on January 23, 2013, the Moscow Arbitrazh Court decided in favor of LL Collective, declaring it to be the rightful owner of the 167 Land Plots purchased by and registered in the name of Optik Trade. The only party before the court had been LL Collective. The Russian press commented at the time upon the “unprecedented” decision that had ignored a limitation period that had expired six years earlier in 2007.

102. Optik Trade only discovered LL Collective's lawsuit in respect of the 167 Land Plots when it received the notice of appeal filed by DS regarding the Moscow Arbitrazh Court's decision. DS evidently had not been informed about the original proceedings either and had appealed on that basis.
103. Optik Trade then lodged its own appeal against the Moscow Arbitrazh Court's decision on the ground that it had been afforded no opportunity to participate in the proceedings. The Tenth Arbitrazh Appeal Court rejected Optik Trade's appeal outright on the basis that it had not been filed in a timely manner in April 2013.
104. Thereafter, the Federal Arbitrazh Court of the Moscow District upheld the decision of the Tenth Arbitrazh Appeal Court, denying Optik Trade's leave to appeal on May 31, 2013.
105. Optik Trade has exhausted its legal remedies available in the Russian judicial system.
106. In sum, the decisions of the Russian courts and their denial of due process to Optik Trade have deprived Optik Trade of its ownership of the 167 Land Plots without any compensation. Moreover, Respondent's actions further have deprived the Gribanovo Real Estate Development of substantial value.

F. Damage to Other Substantial Investments

107. The Russian Federation currently is using these Russian civil and criminal proceedings as a basis to harass Mr. Pugachev and ultimately to destroy the value of other assets previously or currently owned directly or indirectly by Mr. Pugachev. That harassment includes, but is not limited to (i) the issuance of an arrest warrant in Russia for Mr. Pugachev; (ii) the issuance of an Interpol Red Notice against Mr. Pugachev; and (iii) a Multilateral Assistance ("MLA") Request for Information by Russian Prosecutors to Swiss authorities. That MLA Request further has resulted in the instigation by Swiss authorities of its own parallel investigation of Mr. Pugachev based on those unfounded Russian criminal allegations.
108. The Russian criminal proceedings are politically motivated and unfounded. Any damage caused to Mr. Pugachev by the improper civil and criminal proceedings amounts to a loss suffered in violation of the Treaty and international law.

109. The investments that have suffered damage are not insubstantial, and include, but are not limited to, Mr. Pugachev's investments in Hédiard (a French luxury food brand), a U.S. biopharmaceutical company, and other investments.
110. Mr. Pugachev has incurred substantial costs to defend himself in these various proceedings, including before the courts in Russia, England and Switzerland. His freedom of movement as a French national also has been restricted as a result of the Interpol Red Notice and decisions of the English courts arising out of the Russian proceedings at the instigation of the Deposit Insurance Agency.

IV. JURISDICTION

111. An arbitral tribunal has jurisdiction to hear Mr. Pugachev's claims against the Russian Federation arising under the Treaty.
112. Article 7 of the Treaty provides, in relevant part:

Any dispute between one Contracting Party and an investor of the other Contracting Party concerning the effects of a measure taken by the first Contracting Party and relating to the management, maintenance, enjoyment or disposal of an investment made by such investor, including but not limited to the effects of a measure relating to the transportation and sales of goods, an expropriation or the transfers set forth in Article V of this Agreement, shall be settled if at all possible amicably by the two parties concerned.

If such a dispute cannot be settled amicably within a period of six months from the time when it was raised by either one of the parties to the dispute, it may be submitted in writing for arbitration.

This dispute shall then be settled definitively in accordance with the arbitration rules of the United Nations Commission for International Commercial Law as adopted by the General Assembly of the United Nations in its resolution 31/98 of December 15, 1976.

113. Mr. Pugachev is entitled to bring the present arbitration against the Russian Federation because he is a qualified investor under the Treaty and Mr. Pugachev's assets in Russia are "investments" within the meaning of the Treaty.

A. Mr. Pugachev is an Investor Under the France-Russia BIT

114. Article 1.2 of the Treaty defines an “investor” as:

a) [A]ny natural person who is a national of one of the Contracting Parties and who is allowed, in accordance with the laws of that Contracting Party, to make investments on the territory or in the maritime zone of the other Contracting Party;

115. Mr. Pugachev has been a national of France since 2009 and has resided permanently in France from 2011 onwards (he has not travelled to Russia since then). Mr. Pugachev also is a national of Russia. Neither the France-Russia BIT nor the UNCITRAL Rules preclude dual nationals from bringing claims against either of the State contracting parties.

B. Mr. Pugachev’s Assets at Issue in This Proceeding are “Investments” Under the France-Russia BIT

116. Mr. Pugachev’s assets in Russia described in this Notice of Arbitration constitute “investments” under the France-Russia BIT.

117. Article 1 of the Treaty defines the term “investment” as:

[A]ssets such as goods and rights of any kind, and more specifically, but not exclusively:

...

b) shares and other forms of equity in companies established on the territory of one of the Contracting Parties, as well as all rights deriving from them;

...

e) The rights to economic and commercial activities granted by law or under the terms of a contract, in particular with regard to prospecting, cultivating, extracting or exploiting natural resources[.]

118. Each of Mr. Pugachev’s assets described in this Notice of Arbitration falls within the definition of “investments” in Article 1 of the Treaty.

V. RESPONDENT BREACHED ITS OBLIGATIONS UNDER THE FRANCE-RUSSIA BIT AND CUSTOMARY INTERNATIONAL LAW

119. Through its agencies, representatives and various branches of Government, the Russian Federation has breached its obligations owed to Mr. Pugachev under the France-Russia BIT and customary international law.

A. Respondent Wrongfully Expropriated Claimant's Assets Without Compensation in Violation of the France-Russia BIT and Customary International Law

120. As set out in Section III above, and as Mr. Pugachev will detail in subsequent submissions in this arbitration, Respondent expropriated Mr. Pugachev's investments in violation of Article 4.3 of the Treaty and customary international law.

121. Article 4.3 of the Treaty provides that:

The Contracting Parties shall not take, on their territory or in their maritime zone, measures of expropriation or nationalization or any other measures having the effect of dispossessing investors of the other Contracting Party of their investments, unless it is in the public interest and under the condition that these measures are neither discriminatory nor contrary to a commitment made to an investor as mentioned in Article VIII.

Any expropriation measures that might be taken must be accompanied by the payment of prompt and adequate compensation, the amount of which must be equal to the actual value of the investments concerned on the day before such measures are taken or become known to the public.

This compensation, freely transferable, shall be paid to the investors without delay in a convertible currency. After thirty days from the day when such measures are taken or become known to the public and until the date of full payment, the compensation shall accrue interest, with the interest being calculated at an appropriate rate.

122. Through the Russian Government and its judiciary, Respondent expropriated Mr. Pugachev's investment in the Red Square Project in violation of Article 4.3 of the Treaty and customary international law. In 2009, the Russian Government issued Decree No. 226-r, which effectively terminated the Red Square Investment Agreement. Thereafter, the Russian judiciary gave its judicial imprimatur to the expropriation by finding that the

Red Square Investment Agreement was invalid on the basis that it contravened a secret Russian decree, the content of which has never been shown to Mr. Pugachev. Mr. Pugachev has not received any compensation for the expropriation of his investment in the Red Square Project.

123. Respondent expropriated Mr. Pugachev's investment in the Shipyards in violation of Article 4.3 of the Treaty and customary international law. In late 2009, President Putin forced Mr. Pugachev to sell the Shipyard Interests to a state-owned entity, USC, pursuant to an elaborate plan that involved the Central Bank. Although the plan initially envisaged that Mr. Pugachev would receive market price for the Shipyards, the Russian Government elected to force the transfer of the Shipyard Interests through a rigged and unfair auction process managed by the Russian courts, that allowed USC to acquire the Shipyard Interests at a fraction of their market value. Mr. Pugachev has not received any compensation for the expropriation of his investment in the Shipyard Interests.
124. Respondent expropriated Mr. Pugachev's investment in EPC and its coal-mining license in violation of Article 4.3 of the Treaty and customary international law. The Russian Government unlawfully interfered with the legitimate sale of EPC and assignment of the EPC license to Mr. Altushkin's RCC. The Government unlawfully coordinated with certain politically-connected Russian nationals including Messrs. Altushkin and Baysarov, to ensure that they would be able to take effective control over EPC and its license, and that Mr. Altushkin would be able to avoid his payment obligations under the SPA. Mr. Pugachev has been deprived of the value of his investment in EPC since he did not receive the payments owed to him as the ultimate beneficiary from the sale of EPC from Basterre to Devecom under the SPA.
125. Respondent has expropriated Mr. Pugachev's investment in the Land Plots in violation of Article 4.3 of the Treaty and customary international law. Without affording Optik Trade an opportunity to present its case, the Russian courts held that Mr. Pugachev's company was not the owner of the 167 Land Plots, notwithstanding the evidence demonstrating that it was the bona fide purchaser and notwithstanding the fact that the time limit for challenging its title had long passed. As such, Mr. Pugachev no longer holds title to the 167 Land Plots through his investment vehicle Optik Trade. Mr. Pugachev did not

receive any compensation for the expropriation of his investment in the 167 Land Plots. Moreover, Respondent's actions have deprived the adjacent Gribanovo Real Estate Development owned by Mr. Pugachev's companies of substantial value.

B. Respondent Violated its Obligation under the Treaty and Customary International Law to Afford Claimant Fair and Equitable Treatment ("FET")

126. As set out in Section III above, and as Mr. Pugachev will detail in subsequent submissions in this arbitration, Respondent breached its obligation to provide fair and equitable treatment to Mr. Pugachev's investments, in violation of Article 3.1 of the Treaty and customary international law.
127. Article 3.1 of the France-Russia BIT imposes on Russia an obligation to
extend to investments made on its territory and in its maritime zone by investors of the other Contracting Party fair and equitable treatment, in accordance with the principles of International Law, which excludes any unfair or discriminatory measure that could impede the management, maintenance, enjoyment or disposal of these investments.
128. Through its agencies, courts and representatives, the Russian Federation has not afforded fair and equitable treatment to any of the investments of Mr. Pugachev discussed in this Notice of Arbitration. The facts set forth in Section III demonstrate that the Russian Government did not fulfill Mr. Pugachev's legitimate expectations with regard to each of the four investments. To the contrary, the Government acted in bad faith towards Mr. Pugachev's investments and engaged in conduct that was arbitrary, grossly unfair or idiosyncratic, discriminatory and violated basic due process rights.
129. Additionally, Respondent, through the Deposit Insurance Agency and other State organs, including the State Prosecutor, has initiated baseless criminal and civil proceedings against Mr. Pugachev in Russia and other jurisdictions in an effort to ruin him and his family, further magnifying Respondent's breaches of the Treaty's FET provision. These baseless claims have caused the loss of control and bankruptcy of substantial investments of Mr. Pugachev that, but for this unfair and inequitable treatment, would not have occurred.

C. Respondent Failed to Afford Claimant Full Protection and Security in Violation of the France-Russia BIT and Customary International Law

130. As set out in Section III above, and as Mr. Pugachev will detail in subsequent submissions in this arbitration, Respondent breached its obligation to provide full protection and security to Mr. Pugachev's investments, in violation of Article 4.1 of the Treaty and customary international law.

131. Article 4.1 of the Treaty states:

Investments made by investors of either Contracting Party shall enjoy full and complete protection and security on the territory and in the maritime zone of the other Contracting Party.

132. The standard of full protection and security requires Russia to afford the investments of French investors both legal security and protection, such as the stability of a secure investment environment, as well as physical security and protection. The Government failed to meet this standard with regard to each of the four investments of Mr. Pugachev discussed in this Notice of Arbitration. Additionally, the Government has failed to provide full protection and security to Mr. Pugachev personally as he is the target of prosecutorial and judicial persecution in a number of jurisdictions, including Russia.

D. Respondent Committed a Denial of Justice vis-à-vis Claimant in Violation of the France-Russia BIT and Customary International Law

133. As set out in Section III above, and as Mr. Pugachev will detail in subsequent submissions in this arbitration, Respondent committed a denial of justice affecting Mr. Pugachev and his investments in violation of the France-Russia BIT and customary international law.

134. The principle of denial of justice articulates a standard for assessing the conduct of national courts under customary international law, which is binding on all nations. The Russian courts have failed to satisfy the standard with regard to their treatment of Mr. Pugachev as well as his investments in the Red Square Project, the Shipyard Interests, and the Land Plots. For example, the Russian courts applied a "secret" decree to invalidate Mr. Pugachev's investment in the Red Square Project; colluded with Russian governmental agencies to ensure that USC purchased the Shipyard Interests at a fraction

of their real value and without any compensation to Mr. Pugachev; and failed to observe basic principles of due process in the litigation involving Optik Trade over the ownership of the 167 Land Plots.

135. Similarly, Respondent, through its judiciary, committed and continues to commit a denial of justice in the baseless criminal and civil proceedings instituted against Mr. Pugachev in Russia and other jurisdictions with the sole purpose of ruining Mr. Pugachev and his family. The proceedings lack due process. For example, charges against Mr. Pugachev that previously had been dropped have been reinstated arbitrarily without reason. Additionally, Russia has placed an unwarranted Interpol alert on Mr. Pugachev. The commencement of these proceedings as well as the way in which they have been carried out violate Mr. Pugachev's fundamental rights, and, as will be substantiated in this arbitration, amount to a denial of justice by Respondent executed through the state-appointed prosecutors and the judiciary.

E. Respondent Owes to Claimant Protections Commensurate with the Most Favored Nation Clause of the France-Russia BIT

136. The France-Russia BIT contains a most-favored nation clause. Article 3.2 states:

Each Contracting Party shall accord on its territory and in its maritime zone to investors of the other Contracting Party, with respect to their investments and related activities, treatment no less favorable than the treatment accorded to investors of any third country.

137. Article 3.2 is a most-favored nation clause that affords investors of one Contracting State protections no less favorable than those afforded by the other Contracting State to investors of third-party States. Accordingly, Respondent is under an obligation to afford Mr. Pugachev protections under the France-Russia BIT that are commensurate with the maximum protections available to investors of all other States with which the Russian Federation has concluded bilateral investment treaties. Respondent's performance of the substantive obligations owed to Mr. Pugachev's investments under the France-Russia BIT must be assessed in accordance with Article 3.2.

VI. NOTICE AND TIME REQUIREMENTS

138. Mr. Pugachev has satisfied the requirement in Article 7 of the Treaty that the investor must attempt to settle the dispute amicably for a period of six months prior to submitting the dispute to arbitration.
139. Mr. Pugachev sent a notice letter to President Putin on December 14, 2014, informing Respondent of the facts and circumstances giving rise to the present dispute and seeking to resolve the dispute amicably (the “Notice Letter”). In the Notice Letter, Mr. Pugachev specified that if the parties were unable to resolve their differences amicably within a period of six months, he would submit the dispute to arbitration in accordance with Article 7 of the France-Russia BIT. No response has ever been received from Respondent. Mr. Pugachev also wrote to Mr. Putin on at least one occasion prior to the issuance of the December 2014 Notice Letter, and no response was provided to that correspondence either.
140. Mr. Pugachev and the Russian Federation have not been able to resolve the dispute amicably. Russia has taken no steps to engage in negotiations with Mr. Pugachev, and instead has intensified its persecution of Mr. Pugachev and his assets.
141. Over six months have passed since Mr. Pugachev served the Notice Letter. As such, pursuant to Article 7 of the Treaty, Mr. Pugachev is entitled to initiate arbitration through this Notice of Arbitration.

VII. NUMBER AND APPOINTMENT OF ARBITRATORS

142. Pursuant to Article 5 of the UNCITRAL Rules, since the parties have not previously agreed on the number of arbitrators, three arbitrators shall be appointed.
143. The appointment process shall be carried out in accordance with Article 7 of the UNCITRAL Rules. Claimant will nominate its party-appointed arbitrator and inform Respondent of the same subsequent to serving this Notice of Arbitration on Respondent.

VIII. PLACE OF ARBITRATION

144. Pursuant to Article 16 of the UNCITRAL Rules, Claimant requests that the Tribunal select The Hague, The Netherlands, as the seat of arbitration.

IX. LANGUAGE OF THE ARBITRATION

145. In accordance with Article 17 of the UNCITRAL Rules, Claimant proposes English as the sole language for these arbitration proceedings.

X. CASE ADMINISTRATION

146. Claimant proposes that the Permanent Court of Arbitration act as the registry and administer the arbitral proceedings.

XI. REQUEST FOR RELIEF

147. For the reasons stated herein, Claimant respectfully requests the following relief:

- a) A declaration that Respondent's conduct vis-à-vis Claimant's investments violates the France-Russia BIT and international law, and thus engages its international responsibility;
- b) Compensation for Respondent's violations of the France-Russia BIT and international law, in an amount to be quantified at a later stage of the arbitral proceeding but no less than US\$ 12 billion;
- c) An order that Respondent pay the costs of these arbitration proceedings, including the costs of the Tribunal and the legal and other costs incurred by Claimant, on a full indemnity basis, together with interest on such costs, in an amount to be determined by the Tribunal in accordance with applicable law; and
- d) Any other relief the Tribunal may deem just and appropriate.

148. Claimant reserves the right to amend or supplement the present Notice of Arbitration, to make additional claims, and to request such additional or different relief as may be appropriate, including conservatory, injunctive or other interim relief.

Date: September 21, 2015

Respectfully submitted on behalf of Claimant,

A handwritten signature in black ink, appearing to read "Ed Kehoe". The signature is fluid and cursive, written in a professional style.

Edward G. Kehoe
Caline Mouawad
Viren Mascarenhas
Jessica Beess und Chrostin

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