

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

EPA & M, LLC d/b/a
EGOROV PUGINSKY AFANASIEV & MARKS, LLC
A Pennsylvania Limited Liability Company
BRUCE S. MARKS (BM-0991)
9 South Broad Street
Woodbury, New Jersey 08096
(609) 845-7125

SCHNADER HARRISON SEGAL & LEWIS LLP
A Pennsylvania Limited Liability Partnership
LOUIS R. MOFFA, JR. (LM-9432)
New Jersey Managing Partner
RICHARD A. BARKASY (RB-9776)
Woodland Falls Corporate Park
220 Lake Drive East, Suite 200
Cherry Hill, New Jersey 08002-1165
(856) 482-5222

Attorneys for Plaintiff

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AVISMA TITANO-MAGNESIUM KOMBINAT	:	
Berezniki, Russian Federation	:	
	:	CIVIL ACTION NO.
Plaintiff,	:	99-CV-3979 (JWB)
v.	:	
	:	Hon. John W. Bissell
DART MANAGEMENT, INC.;	:	
1 Springfield Avenue, 3rd Floor	:	
Summit, NJ 07901	:	
	:	
KENNETH DART;	:	FIRST AMENDED COMPLAINT
Address Unknown	:	AND JURY TRIAL DEMAND
	:	
JONATHAN HAY;	:	
C/o DART MANAGEMENT, INC.	:	
Address Unknown	:	
	:	
MICHAEL HAYWOOD;	:	
C/o DART MANAGEMENT, INC.	:	
Address Unknown	:	

MICHAEL HUNTER; :
C/o DART MANAGEMENT, INC. :
1 Springfield Avenue, 3rd Floor :
Summit, NJ 07901 :
 :
FRANCIS E. BAKER; :
C/o Andersen Group, Inc. :
515 Madison Avenue :
New York, NY 10022 :
 :
WILLIAM BROWDER; :
C/O Hermitage Fund :
Moscow, Russia :
 :
HERMITAGE FUND; :
9, Dmitrovsky Pereluk :
Moscow, Russia :
 :
BARCLAYS BANK, PLC :
222 Broadway :
New York, New York 10038 :
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JOHN DOES 1 TO 100 :
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1209 Orange Street :¶
Wilmington, DE 19801 : ¶

Plaintiff Avisma Titano-Magnesium Kombinat ("Avisma"), an industrial company located in Berezniki, Sverdlovsk Oblast, Russian Federation, seeks to recover in excess of \$150,000,000 in damages for harm caused by a scheme of fraud and money-laundering by which tens of millions of dollars were misappropriated from Avisma and diverted to bank accounts maintained by or on behalf of the Investors and/or their agents and co-conspirators, as follows:

INTRODUCTION

1. Defendants are all American citizens or maintain places of business in the United States, except, possibly, the Hermitage Fund, which is of unknown citizenship.

2. This case concerns the adoption and operation of an ongoing fraudulent scheme, originally devised and implemented by a Russian company called Bank Menatep, to bilk Avisma of its profits, which was continued by the Investor Defendants and Hay with the cooperation of Barclays Bank, PLC.

3. In late 1995, Menatep obtained a controlling interest in Avisma.

4. Menatep then compelled Avisma to sell titanium sponge and other products at below-market prices to offshore companies, who resold the Avisma products on the international market and kicked back the resale profits to Menatep, and compelled Avisma to purchase raw materials at inflated prices from the offshore companies, with profits again funneled back to Menatep.

5. Menatep diverted tens of millions of dollars in profits from Avisma in this manner until 1997, when it opted to sell its interest in Avisma—and turn over the machinery of the ongoing fraudulent scheme, including the offshore conduits, in a kind of “turnkey” transaction—to the Investors, who continued the scheme and themselves diverted and converted at least \$8 million in profits that rightfully belong to Avisma.

6. In late 1998, the Investors transferred their shares in Avisma to VSMPO in return for VSMPO shares with the hope of continuing the Illegal Scheme through VSMPO.

7. However, VSMPO, a clean and transparent Russian company, ceased the arrangement shortly thereafter; however, the Illegal Scheme continued through mid-1999 during which time period the Investor Defendants deceived VSMPO into permitting them to receive

over \$8 million of funds which had been improperly diverted from Avisma during the time period for which it was under the Investor Defendants' control.

8. In a secret letter in January, 1999, Defendant Francis E. Baker, Chairman of the Board of Investor Andersen Group, Inc., admitted that the illegal scheme was an "immense Russian bank money-laundering scheme ... clearly a criminal matter."

9. Funds which were illegally diverted from Avisma were laundered by "offshore companies" through accounts at Barclays Bank, PLC in the US and abroad and, upon information and belief, through accounts at the Bank of New York.

10. Barclays Bank, PLC knew, or should have known but for a policy of "deliberate blindness", that it was participating in an illegal money laundering and fraudulent scheme by which funds were diverted from Avisma, to the detriment of Avisma and its minority shareholders.

11. Pursuant to the Racketeer Influenced and Corruption Organization Act, 18 U.S.C. §1961 et seq. ("RICO"), the New Jersey RICO statute, N.J. Stat. § 5:12-125 et seq., and other causes of action, Avisma seeks to recover over \$50,000,000 in compensatory damages and \$150,000,000 based on the trebling of its compensatory damages, as well as punitive damages, costs, and attorneys' fees, to cover its losses from the ongoing fraudulent scheme.

12. Avisma also seeks injunctive relief requiring the Investor Defendants and Hay to divest themselves of the stock they own, directly or indirectly, in Avisma and VSMPO, and forbidding any further attempts by the Investor Defendants and Hay to exert control over Avisma and VSMPO.

PARTIES AND RELATED ENTITIES

PLAINTIFF

13. Plaintiff Avisma is an open-joint stock company organized under the laws of the Russian Federation and maintains its principal place of business in Berezniki, Sverdlovsk Oblast, Russian Federation.

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14. VSMPO is an open-joint stock company organized under the laws of the Russian Federation and maintains its principal place of business in Verkhnyaya Salda, Sverdlovsk Oblast.

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THE "INVESTOR DEFENDANTS"

15. Defendant Dart Management Inc. ("Dart Inc.") is a corporation organized under the laws of the State of New Jersey with its principal place of business at 1 Springfield Avenue, 3rd Floor, Summit, NJ 07901.

16. Defendant Kenneth Dart ("Dart"), upon information and belief, is a former citizen of the United States, current address unknown, who owns, operates, and controls Dart Inc. and has a place of business at 1 Springfield Avenue, 3rd Floor, Summit, NJ 07901.

17. Upon information and belief, Dart joined in the conspiracy in 1997 through his conduct in becoming a beneficial owner of approximately \$50 million of Avisma shares.

18. Defendant Michael Haywood ("Haywood"), upon information and belief, is a citizen of the United States and whose address is unknown.

19. Upon information and belief, Haywood was associated with Dart and joined in the conspiracy in 1997 and now operates and controls Dart Inc.

20. Defendant Michael Hunter ("Hunter") is a citizen of the United States, who operates and controls Dart Inc. and has a place of business at 1 Springfield Avenue, 3rd Floor, Summit, NJ 07901.

21. Upon information and belief, Hunter joined in the conspiracy in or about January, 1998 when he was hired by Dart Inc. and learned of and participated in the Illegal Scheme.

22. Dart Management, Ltd. ("Dart Ltd."), upon information and belief, is a business entity organized under the laws of the Cayman Islands, which is associated with Dart and Dart Inc.

23. During all times relevant herein, Dart Inc., Dart Ltd., Haywood, and Hunter acted as agents of Dart within the scope of their agency.

24. Defendant Jonathan Hay ("Hay") is a citizen of the United States, whose address is unknown.

25. Upon information and belief, Hay joined in the conspiracy in 1997 when he advised the Investors about the transfer of the Illegal Scheme from Menatep while associated with the Institute for Law Based Economy and continued in the scheme as described herein.

26. Andersen Group, Inc. ("Andersen") is a corporation organized under the laws of the State of Delaware which does substantial business in the state of New Jersey, and has its principal place of business at 515 Madison Avenue, New York, New York 10022.

27. Defendant Francis E. Baker ("Baker") is a citizen of the United States who is an officer and director of Andersen, operates and controls Andersen, and has a place of business at 515 Madison Avenue, New York, New York 10022.

28. Defendant Hermitage Fund, upon information and belief, is an investment fund which maintains an office in Moscow, Russia.

29. Defendant William Browder ("Browder") is a citizen of the United States, whose address is unknown, and is an officer and director of the Hermitage Fund and operates and controls the Hermitage Fund.

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30. Upon information and belief, a majority interest in the entity which manages the Hermitage Fund is owned by Republic Bank of New York.

31. Upon information and belief, decisions regarding the illegal conduct of the Hermitage Fund and Browder were made in New York State.

32. Dart Inc., Anderson, and the Hermitage Fund shall be referred to as the “Investors” who owned shares in Avisma directly or through the Corporate Instrumentalities defined below.

33. Baker, Dart, Dart Inc., Haywood, Hunter, Browder, and the Hermitage Fund shall be referred to as the “Investor Defendants.”

THE CORPORATE INSTRUMENTALITIES

34. Oba Enterprises Limited is a business entity organized under the laws of Cyprus and owned and controlled by Dart and/or Dart Inc. and/or Dart Ltd.

35. Apricus Investments Limited, Cerasus Investments Limited, and Greencastle Investments Limited are business entities organized under the laws of Cyprus and owned and controlled by Hermitage and Browder.

36. Upon information and belief, Gabriel Capital, L.P. (“Gabriel”) is a limited partnership organized under the laws of the State of Delaware.

37. Upon information and belief, International Real Returns LLC (“IRR”) is a limited liability company organized under the laws of the State of New York.

38. Upon information and belief, Pascani Holdings Limited is a business entity organized under the laws of Cyprus.

39. Apricus, Cerasus, Gabriel, Greencastle, IRR, Oba, and Pascani were used by the Defendants and their co-conspirators to hold shares in Avisma and VSMPO, receive funds

derived from the Illegal Scheme, and deposit and hold those funds in offshore accounts, and all of which are referenced collectively as “the Corporate Instrumentalities.”

THE BANKS

40. Defendant Barclays Bank, PLC (“Barclays”) is a bank which maintains a place of business in New York State, with a parent and affiliates in various countries, including the United Kingdom, Ireland, and the Isle of Man.

41. The Bank of New York (“BONY”) is a bank organized under the laws of the United States which maintains its principal place of business in New York State, with affiliates and subsidiaries in various countries.

THE JOHN DOE DEFENDANTS

42. The John Doe Defendants are persons and entities, identity unknown, who conspired with Defendants to violate the law.

JURISDICTION AND VENUE

43. Jurisdiction lies in this Court pursuant to 28 U.S.C. §1331 and 18 U.S.C. §1964(c) because this case arises under the laws of the United States, based on claims under the Racketeer Influenced and Corrupt Organizations Act (“RICO”), 18 U.S.C. §1961 et seq.

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44. Jurisdiction also lies in this Court over all non-federal law claims pursuant to 18 U.S.C. §1367, based on the doctrine of supplemental jurisdiction.

45. Venue is proper in this District under 18 U.S.C. § 1965 and 28 U.S.C. § 1391 because Dart Inc. maintains its principal place of business in New Jersey; Defendants associated with Dart Inc. maintain places of business in New Jersey; Baker (through Anderson) does business in New Jersey; and a substantial part of the events giving rise to Avisma’s claims occurred in New Jersey.

BACKGROUND

46. In the early 1990's, the Soviet Union dissolved and its economic system of communism was replaced with a free market-based system.

47. When the Soviet Union collapsed, Avisma was a Soviet state-owned entity that produced titanium sponge, an important ingredient for the production of titanium products, such as ingots, as well as other metal and non-metal products, including magnesium.

48. Avisma sold titanium sponge and other products for Soviet defense uses, Soviet civilian uses, and, to some degree, for international export.

49. In the mid-1990's, Menatep Bank, a Russian bank, and/or its parent, affiliates, subsidiaries and/or principals (collectively, "Menatep") obtained a controlling interest in Avisma.

THE ILLEGAL SCHEME

50. In or about December, 1995, Menatep devised and began to implement a scheme (the "Illegal Scheme") to divert profits from Avisma to a number of related companies, including TMC Holdings Limited, TMC Trading Limited, TMC Trading International Limited, and TMC USA Inc. (collectively, "TMC"), which would then funnel profits back for the benefit of Menatep and to the detriment of Avisma and its minority shareholders.

51. At least one of these related companies, TMC USA Inc., maintained a place of business in the United States; others were based offshore on the Isle of Man, and the principal of TMC, Peter Bond, resides on the Isle of Man.

52. Upon information and belief, TMC funneled the funds through its accounts at Barclays to a number of related companies known as Valmet ("Valmet"), including Valmet Isle of Man, Ltd., which maintained offices in various jurisdictions, including the Isle of Man, Ireland, and Switzerland.

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53. Under the Illegal Scheme, Menatep compelled Avisma to sell titanium and other products at below-market prices to TMC, which then resold them on the international market at substantial profit; prior to the Illegal Scheme, Avisma sold its products directly to Western customers.

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54. As a further part of the Illegal Scheme, Menatep compelled Avisma to purchase raw materials, such as ilmenite (which is used to produce titanium sponge), from TMC at above-market prices; prior to the Illegal Scheme, Avisma purchased ilmenite directly from producers, mainly from the Ukraine.

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55. Pursuant to the Illegal Scheme, TMC agreed to secretly kickback profits to Menatep from the above sales to and from Avisma.

56. Peter Bond (“Bond”), the principal of TMC, managed and coordinated TMC’s fraudulent sales of ilmenite to and purchases of product from Avisma, set up and oversaw the offshore accounts through which proceeds of the Illegal Scheme were funneled, and arranged for the kickback payments to Menatep through Barclays to Valmet and then to entities unknown.

57. The Illegal Scheme was implemented by representatives of Menatep who assumed positions of control over Avisma, including the chairman and vice-chairman of the Board of Directors of Avisma from 1996 through at least 1997.

58. Profits from the Illegal Scheme amounting to tens of millions of dollars were paid to Menatep by laundering funds, through bank accounts at Barclays in offshore jurisdictions where “bank secrecy” was maintained, such as the Isle of Man and Cyprus, and through Barclays in the United States.

59. Barclays made no effort to determine the purpose of TMC or Valmet, the true identity of their beneficial owners, and the reason that such massive amounts of funds were

flowing through these accounts because it had either agreed to participate in the Illegal Scheme or, alternatively, adopted a policy of “deliberate blindness” to business from Russia in an attempt to “disassociate” itself from fraudulent conduct while, at the same time, earning hundreds of thousands, if not millions, of dollars from banking transactions.

60. Upon information and belief, Valmet then funneled these monies through bank accounts maintained at BONY to entities unknown.

61. Upon information and belief, these accounts were established with the assistance of a BONY officer (the “BONY Officer”) who had knowledge of the Illegal Scheme through her marriage to the Vice-Chairman of Menatep Bank.

62. Upon information and belief, BONY thus knew that accounts at its bank were being used to facilitate the Illegal Scheme.

63. Barclays and, upon information and belief, BONY knew or should have known that the funds were improperly diverted from Avisma and that the banks were participating in a money laundering scheme.

THE KNOWLEDGE AND PARTICIPATION OF THE DEFENDANTS IN THE ILLEGAL SCHEME

64. In mid-1997, the Investors, as well as Baker, Browder, Dart, and Haywood, knowingly and intentionally joined in the Illegal Scheme in order to capture the kickbacks generated from the looting of Avisma.

65. In fact, their involvement was admitted in legal pleadings filed in the Isle of Man against TMC when the Investors encountered difficulty collecting their share of the kickbacks, as set forth in the Statement of Claim dated February 5, 1999 (the "Lawsuit"), a copy of which is attached hereto as Exhibit A, and the Affidavit of Anthony Steven Wollenberg, a copy of which

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is attached hereto as Exhibit B.

66. The pleadings in the Lawsuit, from which the quotations below are taken, recount that in mid-1997, the Investors, as well as Baker, Browder, Dart, and Haywood, were approached by CreditAnstaldt Investment Bank ("CAIB"), which is based in Austria and maintains an office in the United States.

67. Representatives of CAIB, including an American citizen, informed the Investors, as well as Baker, Browder, Dart, and Haywood, that Menatep had decided to sell most of its shares in Avisma and solicited the Investors to purchase Menatep's shares, with the intent that the shares would later be sold or tendered to VSMPO, a large Russian company that used titanium sponge in the manufacturing of titanium ingots, bar, rods, and other products, in order to create a vertically integrated titanium company.

68. Before purchasing shares in Avisma, the Investors, as well as Baker, Browder, Dart, and Haywood, learned of the Illegal Scheme by which a "significant proportion of the profits derived from the sale of Avisma's products was taken off-shore" as a result of Avisma selling its titanium at an "undervalue" to TMC "for the benefit of, and distributed to or to the order of Menatep."

69. CAIB explained to these Defendants that if the Investors purchased the shares of Avisma from Menatep, they "would not only acquire [Menatep's] majority shareholding in Avisma, but also the right to the profits which [Menatep] was accruing through TMC."

70. In regard to the Investors, "the entitlement to the profits taken through TMC was central to the entire transaction: for a large (if not the largest) part of the profits generated by Avisma were taken through TMC."

71. The Investors, either directly or through the Corporate Instrumentalities,

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purchased ~~Menatep~~'s shares by agreement dated September 17, 1997 for the "total sum of US \$85,640,000 ... in order to acquire [Menatep's] shares in Avisma and the associated [purported] rights to the profits accrued through TMC."

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72. Thus, as admitted in their own pleadings, the Investors purchased ~~Menatep~~'s shares with the intent of perpetuating the Illegal Scheme by which profits were siphoned from Avisma and laundered through bank accounts in offshore jurisdictions, to the detriment of Avisma and its other shareholders.

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73. The Investors, Baker, Browder, Dart, and Haywood, Menatep, and the Chairman conspired together, acted in concert, and aided and abetted one another by agreeing that Menatep would cede control of Avisma to the Investors, who would then operate the machinery of the Illegal Scheme for their own benefit.

74. This Agreement between the Investors, Baker, Browder, Dart, and Haywood on the one hand and Menatep on the other hand was reached through CAIB acting as the intermediary by which the Illegal Scheme was continued through TMC.

75. The Investors continued the Illegal Scheme by using their power to control Avisma to elect one of the representatives of CAIB as chairman of the Board of Directors of Avisma (the "Chairman") in March, 1998 .

76. The Chairman of Avisma during the time period that the Investors controlled Avisma was an American citizen.

77. Under the Investors' agreement with Menatep, the Investors now presided over the Illegal Scheme so that TMC would continue to sell ilmenite to Avisma at inflated prices and purchase product from Avisma at deflated prices; TMC would continue to launder the profits from these transactions through its nexus of offshore accounts; Peter Bond would continue to

oversee and manage TMC’s “services” to the Illegal Scheme; the profits wrongfully diverted would continue to flow to the controlling shareholders of Avisma, who were now the Investors instead of Menatep; and Avisma’s “consent” to this fraudulent scheme would continue to be assured by the Chairman of Avisma’s Board of Directors, who was selected by the Investors, instead of Menatep.

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78. The Chairman and Browder as the agent of the Investors subsequently spoke with Bond to confirm the arrangement and agreement.

79. Thus, despite a few changes in the roster, the structure, organization, and critical players in the Illegal Scheme remained the same once the Investors took over Avisma.

80. From no later than mid-1997, when the Investors, as well as Baker, Browder, Dart, and Haywood, learned of the opportunity to purchase the Illegal Scheme, and then in September, 1997, when Investors obtained control of Avisma, through at least November, 1998, the Investors, as well as Baker, Browder, Dart, Haywood, and Hunter, as well as the Chairman, conducted and participated in the affairs of Avisma through the Illegal Scheme, and arranged for over \$8 million in profits to be transferred from Avisma to TMC during this time period through numerous transactions, including purchases of raw materials by Avisma at fraudulently inflated prices and sales of product by Avisma at fraudulently deflated prices.

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81. The Illegal Scheme included the concealment from the other Avisma shareholders of the kickbacks to Menatep and the Investors.

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THE TRANSFER OF THE INVESTORS’ SHARE IN AVISMA FOR VSMPO SHARES

82. In mid-1998, the Investors and the Chairman approached VSMPO about tendering Avisma shares under the Investors’ control to VSMPO in exchange for VSMPO shares in the event that VSMPO made a public offering of its shares.

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83. Subsequently, in late 1998, VSMPO made a public offering, which resulted in the Investors tendering Avisma shares under their control to VSMPO in exchange for VSMPO shares.

84. The Investors, as well as Baker, Browder, Dart, Haywood, and Hunter, believed that they would then be able to obtain control of VSMPO (and, by extension, Avisma) and continue the Illegal Scheme at Avisma.

85. Upon information and belief, the Investors, as well as Baker, Browder, Dart, Haywood, and Hunter, intended to then establish a similar illegal scheme at VSMPO by which raw materials would be sold at above-market prices to VSMPO and product would be purchased at below-market prices from VSMPO, so that even greater profits could be diverted to the Investors.

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86. Once it became clear that the management and employees of VSMPO would maintain control of VSMPO, VSMPO informed the Investors, as well as Baker, Browder, Dart, Haywood, and Hunter, that it would not permit the continuation of the Illegal Scheme.

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THE 1998 DISPUTE BETWEEN MENATEP, TMC, AND THE INVESTORS

87. In 1998, a dispute arose between the Investors, Menatep, the Chairman, and TMC in regard to the distribution of the illegal profits garnered by the Illegal Scheme from the time when the Investors acquired control of Avisma in 1997; the Investors complained that TMC was not paying them their cut of the funds illegally diverted from Avisma through the Illegal Scheme.

88. In October, 1998, a meeting took place among, inter alia, Baker, Browder, and Haywood, to discuss this “problem.”

89. At this meeting, Baker, Browder, and Haywood agreed and conspired together

that litigation would be filed against TMC and that the Investors would attempt to keep Avisma from recovering the funds which were due to it (the "October Conspiracy").

90. In order to effect this conspiracy, Baker telefaxed a letter dated November 10, 1999 from his office in New York City to the Investors' counsel in London, Tony Wallenberg (the "Baker Conspiracy Letter"), of which a copy is attached hereto as Exhibit F.

91. In the Baker Conspiracy Letter, Baker, on behalf of the Investors, informed Wallenberg that the deal with Menatep, brokered by CAIB, provided that the Investors "were effectively 'stepping into the shoes' of Bank Menatep" and instructed Wallenberg to force TMC "to disperse the funds under its control to the account of the [Investors]."

92. Ultimately, the Lawsuit was filed against TMC in the Isle of Man and suit was also brought in Ireland (collectively, the "Litigation"), as set forth above, in order for the Investors to obtain their illicit share of the profits diverted from Avisma through the Illegal Scheme.

93. In or about the time that VSMPO took control of Avisma, the Investors obtained a court order in the Litigation against TMC, arresting funds in bank accounts maintained by TMC in the Isle of Man.

94. During the course of the Litigation, the Investors, as well as Baker, Browder, Dart, Haywood, and Hunter, became concerned that the funds frozen by the Litigation would not be paid to the Investors because the Investors lacked standing to obtain payment, since the funds rightfully belonged to Avisma.

95. Upon information and belief, the Investors were advised by their counsel that Avisma, and only Avisma, had such standing, and, thus, Avisma must be a party to the Litigation; the Investors, through Baker, therefore recommended that Avisma engage counsel to

participate in the Litigation.

96. The Investors, through Baker, took care to ensure that Avisma would be represented by counsel who would help the Investors in their efforts to secure the kickbacks for themselves, and would not inform Avisma of its rights against the Investors or encourage Avisma to pursue claims against the Investors themselves for their part in the Illegal Scheme.

97. To that end, Baker advised Avisma to retain McDermott, Will & Emory, an American law firm ("the Law Firm"), but concealed from Avisma that the Law Firm was at the same time on retainer with Baker's company, Andersen.

98. As set forth in a letter sent by Baker from the United States and copied to other Defendants, and which was received by Avisma's purported independent counsel (the "Secret Baker Letter"), a copy of which is attached hereto as Exhibit E, Baker informed the Law Firm that the Investors used their influence at Avisma to arrange for the engagement of the Law Firm.

99. In the Secret Baker Letter, Baker admitted that the Illegal Scheme was "an immense Russian bank money-laundering scheme ... clearly a criminal matter."

100. The Secret Baker Letter was designed to "send a message" to the Law Firm to assure that the Law Firm would not advise or encourage Avisma to take actions adverse to the Investors, and thereby furthered the Illegal Scheme.

101. Neither Baker nor the Law Firm disclosed the Baker Conspiracy Letter or the Secret Baker Letter to Avisma or VSMPO.

THE FRAUDULENT SETTLEMENT AGREEMENT

102. The Law Firm, which had an undisclosed conflict of interest in representing Avisma and Andersen at the same time, never advised Avisma as to its rights against the Investors -- even though the Law Firm had offices in the United States, England, and Russia and

should have been well-qualified to advise Avisma about the violations of American and Russian law by the Defendants described in this Complaint.

103. Based on representations of the Investors that funds received from TMC as a result of the Litigation would be returned to Avisma, and the lack of contrary advice by its purported counsel, Avisma agreed that, pursuant to settlement of the Litigation in April of 1999 (the "Settlement Agreement"), funds could be transferred through Avisma to the Investors, with the understanding that the funds would later be returned to Avisma after certain financial reporting changes were approved.

104. Avisma agreed to allow these entities to have temporary custody of funds obtained from TMC in the settlement, as described above, in order to expedite the settlement of the Litigation, because almost \$10 million of Avisma's products had been transferred by Avisma to a warehouse in Finland maintained by TMC, without payment, during the time when the Investors controlled Avisma.

105. Unless TMC paid for this inventory or returned it to Avisma, Avisma faced draconian sanctions under Russian law regarding export transactions, including penalties of at least one-half of the value of the inventory.¹

106. At the time of the settlement, therefore, Avisma was under great duress to resolve the dispute as soon as possible.

107. The settlement of the Litigation provided that the Investors, directly or indirectly,

¹In order to prevent asset flight, Russia imposes severe sanctions when goods are transferred abroad and payment is not received within 180 days. Such sanctions may amount to more than one-half of the value of the goods. This law is intended inter alia to prevent transactions by which a company "sells" goods abroad and payment to the company is never made because kickbacks are paid to management.

would receive approximately \$3.5 million directly from TMC and \$4.5 million from TMC through payments to Avisma.

108. Although the Investors or the Corporate Instrumentalities controlled by the Investors or their co-conspirators have received such funds, the Investors have refused to return such funds to Avisma, despite repeated demand.

109. Avisma would not have executed the Settlement Agreement if (a) Investors had not represented that the recovered funds would be returned to Avisma; (b) Avisma was not under duress to obtain recovery of the inventory from Finland; and (c) Avisma had been represented by unconflicted counsel who had independently advised Avisma of its rights.

110. The Settlement Agreement contains a forum selection clause.

111. Upon information and belief, the forum selection clause was placed in the Settlement Agreement by the Investors, as well as Baker, Browder, Dart, Haywood, and Hunter, in order to make it more difficult for Avisma to enforce its rights against the Investor Defendants in the event that Avisma obtained unconflicted counsel and learned of its true rights.

112. The Settlement Agreement, including the forum selection clause, was obtained through fraud and overreaching.

THE CONTINUED EFFORT TO TAKE OVER VSMPO

113. Upon information and belief, the Investors have purchased additional shares of VSMPO using some of the \$8 million in profits and other proceeds from the Illegal Scheme to further their efforts to take over VSMPO and thereby also regain control of Avisma.

114. As part of their effort to resume the Illegal Scheme, the Investors used their votes as VSMPO shareholders to elect Baker, Hay, and an individual named Peter Oppenheimer as directors of VSMPO in June, 1999.

THE FINANCIAL SCOPE OF THE SCHEME

115. Upon information and belief, during the tenure of the Illegal Scheme, Menatep, the Chairman, and the Investors obtained over \$45 million in profit from the sale of titanium sponge from Avisma to TMC at below-market prices and \$5 million in profit from the sale of raw materials to Avisma at above-market prices pursuant to the Illegal Scheme.

116. This is shown in part by partial financial statements of TMC, of which a copy is attached hereto as Exhibit C, which reflect that TMC diverted profits from Avisma under the Illegal Scheme in the following amounts:

As of October 30, 1996	\$ 4.5 million
November 1, 1996 through October 31, 1997	\$11.9 million
November 1, 1997 through June 30, 1998.	\$17.1 million

117. Based on the monies diverted from Avisma from November 1, 1997 through June 30, 1998, Avisma believes that TMC appropriated at least a further \$10 million in illegal profits from Avisma from July 1, 1998 through November, 1998.

118. Under the agreement made between the Investors and Menatep when the Investors bought Menatep's shares in Avisma, Menatep was to keep the portion of the illegal profits that were diverted from Avisma from the inception of the Illegal Scheme until at least December 6, 1997, and the Investors were to receive the illegal profits from either December 7, 1997 or January 1, 1998 onwards (the Investors and Menatep disputed who was to receive the illicit profits from December 7 to December 31, 1997).

119. The total funds diverted from Avisma while Menatep held the controlling interest in the company were in excess of \$40 million, and while the Investors held the controlling interest, at least \$8 million.

120. The escalating nature of the scheme is shown by a financial document obtained from TMC, reflecting yearly sales of ilmenite to Avisma from 1996 through late 1997; a copy of the document is attached hereto as Exhibit D, and shows:

1996:	\$696,000
1997:	\$2.6 million

121. As shown in this document, once Menatep, co-conspirators with the Investor Defendants, realized that it could get away with the Illegal Scheme, it increased the price for ilmenite from \$95 per ton (which was \$10 per ton above the then market price) in 1996 to \$130 per ton (which was \$55 per ton above the then market price) in 1997.

THE ROLE OF MENATEP

122. As set forth above, Menatep established the Illegal Scheme by which profits were siphoned from Avisma beginning in late 1995 through late 1998.

123. Menatep used TMC as the vehicle for its misconduct.

124. TMC established an office in the United States in order to further the scheme.

125. Upon information and belief, Menatep and TMC used numerous interstate wires and mailings in furtherance of the scheme, including the receipt of money wires originating in the United States from purchasers of titanium sponge to TMC; interstate mailings between TMC and purchasers of titanium sponge; and international wires and mailings between Avisma and TMC's United States office.

126. Such belief is founded on the fact that TMC sold product to US purchasers and would have received payment by wire, the normal means of effecting large transfers of money, and that TMC would have needed to communicate with purchasers through the use of interstate and international wires and mailings.

127. Upon information and belief, Menatep and TMC used international wires in furtherance of the scheme by which monies improperly diverted from Avisma were transferred to bank accounts at Barclays and BONY which were controlled, directly or indirectly, by Menatep principals.

128. Such belief is founded on the fact that monies were transferred from TMC according to documents produced in the Litigation and the transfer of dollar denominated sums must pass through banks in the United States.

129. These international wires flowed through Barclays Bank in the United States, and, upon information and belief, through BONY in the United States.

130. Ultimately, Menatep sold the Illegal Scheme to the Investors, as described above.

131. Menatep has lost its banking license and is currently in liquidation.

THE ROLE OF DART, DART INC., HAYWOOD, AND HUNTER

132. Dart directly participated in the Illegal Scheme by joining the conspiracy to purchase the Illegal Scheme from Menatep in 1997.

133. Dart established Dart Inc. in order to manage his investment in Avisma and through Dart Inc., Dart directed the Illegal Scheme.

134. Dart hired Haywood and Hunter to oversee his investment in Avisma.

135. Dart, Haywood, and Hunter conspired to effect the Illegal Scheme and to divert the funds frozen in the Litigation to the Investors.

136. Upon information and belief, Dart and/or Dart Inc. used international wires and mailings in furtherance of the scheme through communications with CAIB related to the purchase of the Illegal Scheme in 1997.

137. Such belief is founded on the fact that Dart would be highly unlikely to invest \$50

million without the project being reviewed by his counsel and advisers in the United States.

138. Upon information and belief, Dart and/or Dart Inc. used the interstate or international wires to transfer \$50 million CAIB in order to purchase his interest in Avisma in 1997.

139. Such belief is founded on the fact that such large transfer of funds are not normally conveyed by check or in case and dollar denominated wires must flow through a bank in the United States.

140. Dart, Dart Inc., Haywood, and Hunter used numerous interstate and international wires and mailings by which they communicated with each other and the other Investor Defendants in order to further the Illegal Scheme.

THE ROLE OF ANDERSON AND BAKER

141. Anderson and Baker participated in the purchase of the Illegal Scheme by the Investors.

142. Anderson and Baker used international wires and mailings in furtherance of the scheme through communications with CAIB related to the purchase of the Illegal Scheme in 1997.

143. Upon information and belief, Anderson and Baker used the interstate or international wires to transfer \$2 million to CAIB in order to purchase his interest in Avisma in 1997.

144. Such belief is founded on the fact that transfers of such a large fund is normally done by wire, not check or cash, and Anderson is based and maintains bank accounts in the United States.

145. Subsequent to the Investors' purchase of the Avisma shares, Anderson and Baker

used interstate and international wires and mailings in furtherance of the scheme including, inter alia, to advance the October Conspiracy, including the Baker Conspiracy Letter and the Secret Baker Letter.

146. These wires and mailings include letters dated November 6 and 23, 1998 by which Anderson and Baker attempted to fraudulently lull Avisma and VSMPO into believing that he was looking out for the best interests of Avisma (the “Baker Lulling Letters”).

147. In fact, at the same time that Anderson and Baker were sending the Lulling Letters, Anderson and Baker were secretly working with the Investors, as well as Browder, Dart, Haywood, and Hunter, to obtain the funds frozen in the Litigation for the Investors, not Avisma, pursuant to the October Conspiracy.

THE ROLE OF HERMITAGE AND BROWDER

148. Browder and Hermitage participated in the purchase of the Illegal Scheme by the Investors.

149. Upon information and belief, Browder and Hermitage used international wires and mailings in furtherance of the scheme through communications with CAIB related to the purchase of the Illegal Scheme in 1997.

150. Such belief is founded on the fact that Hermitage engaged a law firm with offices in the United States to represent it in the transaction and that it is likely that documents were received and reviewed in the United States.

151. Upon information and belief, Browder and Hermitage used the interstate or international wires to transfer \$2 million CAIB in order to purchase his interest in Avisma in 1997.

152. Such belief is founded on the fact that such large transfers of funds are normally

done by wire, not check or cash, and that dollar denominated transfers must flow through a bank in the United States.

153. Upon information and belief, Browder and Hermitage used international wires and mailings in furtherance of the scheme through communications to Republic National Bank in the United States in regard to the purchase of the Illegal Scheme.

154. Upon information and belief, Browder and Hermitage used international wires and mailings in furtherance of the scheme through communications to Republic National Bank in the United State in regard to reports as to the status of the Illegal Scheme.

155. Such belief is founded on the belief that Republic National Bank owned a controlling share of the entity which managed the Hermitage Fund and it is likely that Browder periodically reported to superiors in New York.

156. Browder and Hermitage used international wires and mailings in furtherance of the scheme through communications with Anderson, Baker, Dart. Inc., and Hunter, in the United States in order to advance, inter alia, the October Conspiracy.

THE ROLE OF HAY

157. In 1997 and prior, the Harvard Institute for International Development (the “Harvard Institute”) obtained millions of dollars from the United States Agency for International Development (“AID”) to establish institutions to provide advice to the Russian Federation in regard to establishing a market economy.

158. Upon information and belief, such funding was used to establish the Institute for Law Based Economy the (“Institute”).

159. In 1997 and prior, Hay was associated with the Harvard Institute and the Institute.

160. Upon information and belief, Hay used information learned from his work at the Harvard Institute and/or the Institute to make investments in Russia's stock market,

161. An AID investigation concluded that Hay "abused the trust of the United States government by using personal relationship for private gain" in violation of U.S. law which precludes persons who work for recipients of AID funds from engaging in investment activity in host countries.

162. Upon information and belief, Hay was forced to resign from the Harvard Institute based on illegal conduct in late 1997 or early 1998.

163. Upon information and belief, Hay is the subject of a criminal investigation being conducted by the U.S. Attorney's Office in Boston, Massachusetts.

164. The Investor Defendants and Hay concealed the existence of the U.S. criminal investigation of Hay and related underlying facts from Avisma, VSMPO, and VSMPO's other shareholders in order to ensure Hay's election to VSMPO's Board as part of the effort to retake control of Avisma and take control of VSMPO.

165. In 1997, the Institute served as a consultant to CAIB, the agent for the Investors.

166. The Institute assisted the Investors in structuring the transaction by which control of the Illegal Scheme was transferred from Menatep to the Investors.***

167. Upon information and belief, Hay assisted in structuring the transfer of the Illegal Scheme from Menatep to the Investors while he was at the Institute.

168. Upon information and belief, Hay received promises of remuneration from the Investors for his services.

169. Upon information and belief, Hay received funding from Dart Ltd. in return for his assistance.

170. Upon information and belief, Hay received a promise from Hermitage and Browder that they would support Hay in obtaining a position on the board of directors of VSMPO once the combination between Avisma and VSMPO took place.

171. Upon information and belief, the Investors promised Hay that shares in Avisma would be transferred to Hay.

172. Upon learning that the present lawsuit might be brought, Hay made veiled threats to attempt to remove the present counsel for VSMPO and Avisma in order to thwart the investigation and prosecution of the instant claims.

THE ROLE OF BARCLAYS BANK

173. Barclays opened accounts for Valmet and TMC in various jurisdictions, including Ireland and the Isle of Man, and, upon information and belief, the United States.

174. Barclays opened these accounts as part of an agreement to assist the Illegal Scheme, or alternatively, a policy of “deliberate blindness” by which it intentionally or recklessly ignored that accounts maintained by persons related to certain Russian entities, such as Menatep, were being used for money laundering and other illegal conduct.

175. Millions of dollars were wired through Barclays offices in the United States in furtherance of the Illegal Scheme.

176. Barclays engaged in this policy in order to earn substantial fees.

177. Barclays’ role was a critical element in the success of the Illegal Scheme.

THE PREDICATE ACTS

178. The Illegal Scheme was effected by a pattern of related acts of mail and wire fraud, money laundering, illegal transactions with monetary instruments, and interstate and foreign travel in aid of racketeering (collectively, the "Predicate Acts"), including interstate and

international telephone calls, wires, and U.S. mail to and from the United States, and to and from the Investor Defendants, TMC, Menatep, and the Chairman, in violation of 18 U.S.C. §§ 1341 and 1343.

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179. Upon information and belief, such Predicate Acts included wires of money from the Investors or entities under their control in the United States to Menatep, either directly or through CAIB, for the purchase of the stock in Avisma, made with the intent of obtaining control of Avisma and continuing the Illegal Scheme, in violation of 18 U.S.C. § 1343.

180. This belief is founded upon the fact that the Investors admitted in a demand letter to CAIB (the “Demand Letter”) that they paid over \$80 million for their Avisma shares.

181. This belief is founded upon the fact that funds of such magnitude are normally wired, not paid in cash or by check.

182. This belief is founded upon the fact that all wires in US dollars must go through a bank located in the United States.

183. Upon information and belief, such Predicate Acts included interstate and international wires and U.S. mail from TMC to purchasers of Avisma's products in the United States, made for the purpose of collecting proceeds from the sale of Avisma’s products and continuing the Illegal Scheme, in violation of 18 U.S.C. §§ 1341 and 1343.

184. This belief is founded upon the fact that TMC needed to communicate with purchasers of the titanium sponge in the United States and such communications are normally conducted by wire and telephone.

185. Such Predicate Acts included interstate and international wires and U.S. mail from the Investor Defendants in the United States to Avisma, made with the intent of continuing, facilitating, and monitoring the Illegal Scheme, in violation of 18 U.S.C. §§ 1341 and 1343.

186. Such Predicate Acts include the interstate and international wires set forth in Appendix I, including the Baker Conspiracy Letter, Secret Baker Letter and the Baker Lulling Letters.

187. The Predicate Acts also included interstate and foreign travel in aid of racketeering by the Investor Defendants and/or their co-conspirators in contravention of 18 U.S.C. §1952.

188. Such Predicate Acts included Baker, Browder, Haywood, and Hunter traveling from the United States to Russia and/or the United Kingdom with the intent to purchase a controlling interest in Avisma in order to continue and profit from the Illegal Scheme; to monitor the operations of the Illegal Scheme; and to retain attorneys and take other measures to secure their illicit share of the illegal profits accumulated in the coffers of TMC through the Illegal Scheme.

189. Upon information and belief, such Predicate Acts included Dart travelling from the Cayman Islands to the US in order to meet with Hunter to effect the Illegal Scheme.

190. The Predicate Acts included the laundering of monetary instruments in violation of 18 U.S.C. §1956.

191. Such Predicate Acts included the Investor Defendants and/or their co-conspirators, including the Chairman and Menatep, knowing that products from Avisma had been fraudulently sold to TMC at below-market rates through the Illegal Scheme, arranging for the products to be converted into money in sales on the international market, and then willfully funneling the illegal monetary proceeds into financial institutions in jurisdictions where “bank secrecy” is preserved, such as the Isle of Man and Cyprus, for eventual distribution to Menatep and the Investors, who knew of the money laundering, all for the purpose of carrying on the

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Illegal Scheme and concealing and disguising the proceeds of the Illegal Scheme.

192. The Predicate Acts also included engaging in monetary transactions in property derived from specified unlawful activity in violation of 18 U.S.C. §1957; more specifically, the Investor Defendants and/or their co-conspirators, including Menatep and the Chairman, deposited, withdrew, and transferred money that they knew represented the proceeds of the fraudulent sales to and from Avisma, into and out of offshore financial institutions located in “bank secrecy” jurisdictions, in transactions each of which exceeded \$10,000.

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193. During the time they controlled Avisma, Menatep, the Chairman, and the Investors furthered the Illegal Scheme by causing material misrepresentations and omissions of material facts to be made in financial reports and other misrepresentations regarding the condition of Avisma, which were made available to minority shareholders of Avisma and others.

194. The material misrepresentations and omissions included concealment of the diversion of funds from Avisma through the Illegal Scheme. For example, for the years 1996 and 1997, Menatep and then Investors caused the preparation and distribution of annual reports with financial statements that listed purported expenses for the purchase of raw materials, while failing to disclose that those expenses had been artificially inflated above market prices by the amounts diverted to TMC, and also listed revenues from the sales of product, without disclosing that the revenues earned had been diminished by the amount of profits diverted to TMC.

195. Avisma’s minority shareholders relied on the representations made about the expenses incurred for raw materials and the revenues earned on sales of product.

196. If the truth had been revealed about the Illegal Scheme and its impact on raw material prices and product revenues, the Illegal Scheme would have been terminated.

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197. After VSMPO took a controlling interest in Avisma in the Fall of 1998, the

Investors, as well as Baker, Browder, Dart, Haywood, and Hunter, engaged in concerted efforts to obtain their illicit share of the kickbacks that TMC was withholding, and to lull Avisma’s new controlling persons into believing that the Investor Defendants were trying to help Avisma recoup the misappropriated profits held by TMC, so that Avisma would not investigate or pursue any claims against the Investor Defendants for their part in the Illegal Scheme.

198. The Investor Defendants used and caused the use of international wires and U.S. mail to further their efforts to obtain their illicit profits and lull VSMPO and Avisma, all in violation of 18 U.S.C. §§1341 and 1343; attached and incorporated into this Complaint as Appendix 1 is a chart describing certain wires made in furtherance of the Illegal Scheme.

199. Upon information and belief, by participating in the Illegal Scheme and demanding to be kept apprised of developments in the Illegal Scheme, Dart, Dart Inc., Haywood, and Hunter caused mailings and wires to be made to and from the headquarters of Dart Inc. in New Jersey, including wires in the form of telephone calls and faxes to and from Baker in New York and wirings to and from the Corporate Instrumentalities in connection with their acquisition and exploitation of interests in Avisma in furtherance of the Illegal Scheme.

200. Baker and Andersen caused numerous wires to be sent from their offices in the United States to the United Kingdom and the Russian Federation to further their efforts to collect the proceeds of the Illegal Scheme and lull VSMPO and Avisma, as set forth in Appendix 1.

201. From the time, the Investors and their co-conspirators took over Avisma in 1995 until the present, numerous activities in furtherance of the Illegal Scheme have taken place in the United States and in this District, including use of the TMC office in the United States, the sale of titanium sponge and other Avisma products in the United States through TMC’s office in the United States, and wires and U.S. mail originating from the Baker and Hunter and their co-

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conspirators in the United States to each other and various other persons involved in the Illegal Scheme, sent for the purpose of taking over Avisma, coordinating the continuing activities of the conspiracy, and collecting the Investors' portion of the illegal profits.

202. Upon information and belief, during the time when Investors sought and maintained control over Avisma in 1997 and 1998, Defendants Baker, Dart, Dart Inc., Haywood, and Hunter used their business offices in New York and New Jersey, as the base of operations for planning, monitoring, executing, and attempting to obtain the profits of the Illegal Scheme, and ultimately repatriated funds misappropriated through the Illegal Scheme into the United States for their benefit and use.

203. Numerous Investor Defendants and their co-conspirators, as well as the Chairman, are citizens of the United States and used their positions in the United States to perpetrate the Illegal Scheme.

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204. The Investors' conduct in diverting profits from Avisma directly and proximately harmed Avisma, and constituted willful and intentional wrongdoing.

205. The Predicate Acts all had substantial effects on interstate commerce within the United States and foreign commerce between the United States and other nations.

COUNT I
VIOLATION OF RICO (§ 1962(a))

AVISMA V. DART, DART INC., AND HERMITAGE

206. The allegations of the above paragraphs are incorporated herein as if set out in full.

207. Under 18 U.S.C. § 1962(a), it is illegal to use any income derived directly or indirectly from a pattern of racketeering activity to acquire an interest in an enterprise that is

engaged in or affects interstate or foreign commerce.

208. Upon information and belief, Investor Defendants Dart, Dart Inc., and Hermitage have used some of the proceeds from their pattern of racketeering within the meaning of 18 U.S.C. §1961(5), by using some of the \$8 million derived from the Illegal Scheme and other proceeds of racketeering to acquire shares of VSMPO as part of a plan to take over VSMPO, and thereby retake control of Avisma, so that they can resume the Illegal Scheme.

209. Avisma and VSMPO are both enterprises under to 18 U.S.C. §1961(4) in that they engage in and affect interstate and foreign commerce in the U.S.

210. The effort by these Investor Defendants to take over VSMPO and thereby obtain control of Avisma has directly and proximately caused, and will continue to cause, serious dislocations in the operations of Avisma’s business and the market for its securities, as well as disruption and uncertainty among Avisma’s shareholders, customers, suppliers and employees with respect to the management of Avisma’s affairs and its future course of business, inflicting substantial monetary damages in an amount to be proved at trial, while also threatening irreparable injury to Avisma’s reputation as a reliable business engaged in international commerce.

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COUNT II
VIOLATION OF RICO (§ 1962(b))
AVISMA V. INVESTOR DEFENDANTS

211. The allegations of the above paragraphs are incorporated herein as if set out in full.

212. Under to 18 U.S.C. §1962(b), it is unlawful for a person through a pattern of racketeering activity to acquire or maintain any interest or control of an enterprise engaged in or

whose activities affect interstate or foreign commerce.

213. Avisma is an enterprise under to 18 U.S.C. §1961(4) engaged in or whose activities affect interstate or foreign commerce.

214. The Investors, as well as Baker, Browder, and Dart obtained an interest in and control of Avisma through a pattern of racketeering activity in 1997.

215. Hunter then joined in this misconduct through, inter alia, participation in the October Conspiracy.

216. Haywood joined in this misconduct through, inter alia, participation in the October Conspiracy.

217. The pattern of racketeering activity consisted of predicate acts of mail and wire fraud by which the Investors communicated with CAIB and sent funds to CAIB with the intent of acquiring an interest in and control of Avisma in order to implement the Illegal Scheme.

218. As a direct and proximate result of the above conduct, Avisma has suffered loss in excess of \$8 million which was siphoned from Avisma during the time period in which the Investor Defendants acquired or maintained an interest in or control over Avisma.

COUNT III
VIOLATION OF RICO (§ 1962(c))

AVISMA V. INVESTOR DEFENDANTS AND HAY

219. The allegations of the above paragraphs are incorporated herein as if set out in full.

220. Under 18 U.S.C. §1962(c), it is unlawful to conduct or participate through a pattern of racketeering in the affairs of an enterprise, including an “association-in-fact,” which engages in or affects interstate or foreign commerce.

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221. Menatep, TMC, Bond, the Chairman, the Investors, and the Corporate Instrumentalities together constituted an “association-in-fact,” brought together for the common purpose of diverting, appropriating, and distributing profits from Avisma through the Illegal Scheme, from 1995 and continuing through the present efforts to gain control of VSMPO; the association-in-fact engaged in and affected interstate and foreign commerce in the U.S.

222. The association-in-fact had continuity of structure and personnel because, from 1995 until at least mid 1999; it featured a hierarchical structure dominated by the majority shareholder of Avisma; continuously maintained representatives under its control on the Board of Directors of Avisma to compel Avisma’s participation in the Illegal Scheme; continued the fraudulent purchasing and sales relationship with TMC to divert profits from Avisma; continued the use of the offshore accounts managed by TMC for misappropriating and distributing the illicit profits; and continued to rely on Peter Bond as the manager of the “services” TMC provided for the Illegal Scheme.

223. The Investor Defendants and Hay were associated with the above association-in-fact enterprise, and conducted and participated in its affairs through a pattern of racketeering activity within the meaning of 18 U.S.C. §1961(5), including use of interstate and international wires to further the Illegal Scheme, money laundering, illegal monetary transactions, and interstate and foreign travel in aid of racketeering, either directly or aiding and abetting each other.

224. The above association-in-fact was separate and distinct from the pattern of racketeering in which the Investor Defendants engaged because (a) the members of the association-in-fact had to be coordinated and directed to such a high degree, and were assigned well-defined roles, to execute the complex and far-flung operations of the Illegal Scheme that

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their nexus existed separately and apart from the pattern of racketeering, and (b) the association-in-fact had goals other than just racketeering, including the continued operation of Avisma as a maker and seller of titanium products and other goods.

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225. Alternatively, Investor Defendants Baker, Browder, Dart, Hay, Haywood, and Hunter were associated with the above association-in-fact enterprise, and conducted and participated in its affairs through a pattern of racketeering activity within the meaning of 18 U.S.C. §1961(5), including use of interstate and international wires to further the Illegal Scheme, money laundering, illegal monetary transactions, and interstate and foreign travel in aid of racketeering, either directly or aiding and abetting each other.

226. The above association-in-fact was distinct from the pattern of racketeering in which these Investor Defendants engaged because (a) the association-in-fact had a number of purposes and goals other than engaging in racketeering activity, including owning and running the ordinary business of Avisma, and potentially creating a vertically-integrated titanium company; and (b) the association-in-fact was a tightly controlled and structured organization, in which all of the other members of the association played well-defined roles as, for example, stockholders (exercising their voting rights in unison to assure control over Avisma) and vehicles for concealing asset holdings.

227. Additionally, Andersen, Dart Inc., Hermitage, and the Corporate Instrumentalities each constituted an enterprise pursuant to 18 U.S.C. §1961(4), and each engaged in and affected interstate and foreign commerce in the U.S.

228. Baker was associated with Andersen, and conducted and participated in the affairs of Andersen, through a pattern of racketeering activity as provided by 18 U.S.C. §1961(5), including use of interstate and international wires to further the Illegal Scheme, money

laundering, illegal monetary transactions, and interstate and foreign travel in aid of racketeering.

229. Dart, Haywood, Hay, and Hunter were associated with, and conducted and participated in the affairs of Dart Inc. and Oba Enterprises Limited through a pattern of racketeering activity pursuant to 18 U.S.C. §1961(5), including use of interstate and international wires to further the Illegal Scheme, money laundering, illegal monetary transactions, and interstate and foreign travel in aid of racketeering, either directly or aiding and abetting the other Defendants.

230. Browder was associated with, and conducted and participated in the affairs of Hermitage and Apricus Investment Limited, Cerasus Investment Limited, and Greencastle Investments Limited, through a pattern of racketeering activity provided in 18 U.S.C. §1961(5), including use of interstate and international wires to further the Illegal Scheme, money laundering, illegal monetary transactions, and interstate and foreign travel in aid of racketeering, either directly or aiding and abetting the other Defendants.

231. Avisma was an enterprise pursuant to 18 U.S.C. §1961(4), and engaged in and affected interstate and foreign commerce in the U.S.

232. The Investor Defendants were associated with Avisma, and conducted and participated in its affairs through a pattern of racketeering activity within the meaning of 18 U.S.C. §1961(5), including use of interstate and international wires to further the Illegal Scheme, money laundering, illegal monetary transactions, and interstate and foreign travel in aid of racketeering, either directly or aiding and abetting each other.

233. Additionally, Baker, Browder, Dart, Hunter, Haywood, and Hay constituted an association in fact.

234. Menatep, TMC, the Investor Defendants, and the Chairman conspired together and acted in concert to engage in the pattern of Predicate Acts beginning no later than December, 1995 and lasting through at least mid-1999.

235. The Illegal Scheme is continuing today because the Investor Defendants, as well as Hay, are attempting to take control of VSMPO in order to obstruct the instant suit and to re-implement the Illegal Scheme at Avisma and implement a new scheme at VSMPO.

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236. The recent election of Baker, Hay, and Peter Oppenheimer as directors of VSMPO through votes controlled by the Investor Defendants evidences such continued misconduct.

237. Efforts by Baker and his agents to obtain information about VSMPO's sales, upon information and belief, for the purpose of constructing a scheme by which profits can be diverted by Investor Defendants if they obtain control of VSMPO, are evidence such continued misconduct.

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238. Threats by Baker and Hay to remove the Egorov firm from representing VSMPO in order to obstruct Avisma's investigation into the wrongdoing and prevent the filing of this suit is evidence of such continued misconduct.

239. As a direct and proximate result of the Illegal Scheme and underlying Predicate Acts, Avisma has suffered loss a in excess of \$45,000,000 from the sale of product by Avisma at below market prices, including loss of \$8,000,000 from 1997, when the Investors purchased the shares in Avisma, through 1998, when the Investors sold their shares, and lost in excess of \$5,000,000 from overpayment for raw materials.

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COUNT IV
RICO CONSPIRACY (§ 1962(d))

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AVISMA V. DEFENDANTS

240. The allegations of the above paragraphs are incorporated herein as if set out in full.

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241. Under to 18 U.S.C. §1962(d) it is illegal to conspire to violate RICO.

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242. Investor Defendants Dart Inc. and Hermitage have conspired and are conspiring among themselves and with others to acquire an interest in VSMPO (and thereby Avisma), using the proceeds from the Illegal Scheme, in violation of 18 U.S.C. §1962(a).

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243. The Investor Defendants have conspired and are conspiring among themselves and with other to acquire and maintain an interest or control in Avisma through a pattern of racketeering activity in violation of 18 U.S.C. §1962(b).

244. The Investor Defendants and Hay conspired among themselves and with others to conduct and participate in the affairs of the association-in-fact between and among Menetep, TMC, Peter Bond, the Chairman, the Investor Defendants, and the Corporate Instrumentalities; and the association-in-fact between and among Menetep, TMC, the Chairman, the Investors, and the Corporate Instrumentalities; and Andersen, Dart Inc., and Hermitage, and the Corporate Instrumentalities, all pursuant to the Illegal Scheme, and all in violation of 18 U.S.C. §1962(c).

245. Barclays joined in this conspiracy through either an agreement to participate in the Illegal Scheme, or, alternatively, through its policy of “deliberate blindness” by which it knowingly permitted the Bank to be used to launder funds improperly obtained from Avisma through international wires transfers through its New York office through predicate act of mail and wire fraud.

246. The above conduct of the Defendants constitutes a conspiracy, in violation of 18 U.S.C. §1962(d).

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247. As a direct and proximate result of the conspiracies, and Predicate Acts, Avisma has suffered loss in excess of \$45,000,000 from the sale of product at below-market prices, including loss of \$8,000,000 from 1997, when the Investors purchased the shares in Avisma, through 1998, when the Investors sold their shares, and additionally loss of \$5,000,000 from the overpayments for raw materials.

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248. As co-conspirators, the Defendants are jointly and severally liable for all losses caused by their conspiracy with one another, from the beginning of the conspiracy in 1995 through at least mid-1999.

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249. The conspiracy to take control of VSMPO and thereby retake control of Avisma has directly and proximately caused, and will continue to cause, serious dislocations in the operations of Avisma's business and the market for its securities, as well as disruption and uncertainty among Avisma's shareholders, customers, suppliers and employees with respect to the management of Avisma's affairs and its future course of business, inflicting substantial monetary damages in an amount to be proved at trial, while also threatening irreparable injury to Avisma's reputation as an honest and reliable business engaged in international commerce.

COUNT V
NEW JERSEY RICO VIOLATION (§ 5:12-126(a))

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AVISMA V. INVESTOR DEFENDANTS DART, DART INC. AND HERMITAGE

250. The allegations of the above paragraphs are incorporated herein as if set out in full.

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251. The New Jersey RICO statute, N.J. Stat. § 5:12-125 et seq., incorporates the prohibitions of the federal RICO statute and provides for a private right of action in N.J. Stat. § 5:12-127(c).

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252. Under N.J. Stat. § 5:12-126(a), it is unlawful to use the proceeds from a pattern of racketeering to acquire an interest in an enterprise.

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253. Upon information and belief, Investor Defendants Dart, Dart Inc., and Hermitage violated N.J. Stat. § 5:12-126(a) by acquiring an interest in VSMPO (and thereby Avisma) using proceeds from the Illegal Scheme.

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254. The effort by these Investor Defendants to take control of VSMPO and thereby retake control of Avisma has directly and proximately caused, and will continue to cause, serious dislocations in the operations of Avisma's business and the market for its securities, as well as disruption and uncertainty among Avisma's shareholders, customers, suppliers and employees with respect to the management of Avisma's affairs and its future course of business, causing substantial monetary damages in an amount to be proved at trial, while also threatening irreparable injury to Avisma's reputation as an honest and reliable business engaged in international commerce.

255. A number of acts in furtherance of the Illegal Scheme took place in New Jersey, including the sending and receipt of interstate and international wires and U.S. mail to and from New Jersey to facilitate the efforts by these Investor Defendants to acquire an interest in Avisma (and later VSMPO) to implement the Illegal Scheme; to monitor its progress; to collect the fruits derived from the Illegal Scheme; and to lull others who might otherwise have curtailed the Illegal Scheme or sought redress.

**COUNT VI
NEW JERSEY RICO VIOLATION (§ 5:12-126(b))**

AVISMA V. INVESTOR DEFENDANTS

256. The allegations of the above paragraphs are incorporated herein as if set out in

full.

257. Under N.J. Stat. § 5:12-126(b), it is unlawful for any person through a pattern of racketeering activity to acquire or maintain any interest or control of an enterprise.

258. The Investor Defendants, as well as Baker, Browder, and Dart, obtained an interest and control of Avisma through a pattern of racketeering activity in 1997.

259. Hunter then joined in this misconduct by joining the October Conspiracy.

260. Haywood joined in this misconduct as evidenced by joining the October Conspiracy.

261. The pattern of racketeering activity consisted of predicate acts of mail and wire fraud by which the Investors communicated with CAIB and sent funds to CAIB with the intent of acquiring an interest and control of Avisma in order to implement the Illegal Scheme.

262. As a direct and proximate result of the above conduct, Avisma has suffered a loss in excess of \$8 million which was diverted from Avisma during the time period in which the Investor Defendants acquired or maintained an interest or control over Avisma.

**COUNT VII
NEW JERSEY RICO VIOLATION (§ 5:12-126(c))**

AVISMA V. INVESTOR DEFENDANTS AND HAY

263. The allegations of the above paragraphs are incorporated herein as if set out in full.

264. Under N.J. Stat. § 5:12-126(c), it is unlawful to conduct or participate through a pattern of racketeering in the affairs of an enterprise, including an “association-in-fact,” which affects interstate or foreign commerce.

265. Menatep, TMC, Bond, the Chairman, the Defendants, and the Corporate

Instrumentalities together constituted an “association-in-fact,” brought together for the common purpose of diverting, appropriating, and distributing profits from Avisma through the Illegal Scheme, from 1996 until at least the end of 1998.

266. The Investor Defendants and Hay were associated with the above enterprise, and conducted and participated in its affairs through a pattern of racketeering activity, including use of interstate and international wires to further the Illegal Scheme, money laundering, illegal monetary transactions, and interstate and foreign travel in aid of racketeering, either directly or aiding and abetting each other.

267. Alternatively, Investor Defendants Baker, Browder, Dart, Hay, Haywood, and Hunter were associated with the above association-in-fact enterprise, and conducted and participated in its affairs through a pattern of racketeering activity, including use of interstate and international wires to further the Illegal Scheme, money laundering, illegal monetary transactions, and interstate and foreign travel in aid of racketeering, either directly or aiding and abetting each other.

268. Andersen, Dart Inc., and the Corporate Instrumentalities each constituted an enterprise.

269. Baker conducted and participated in the affairs of Andersen through a pattern of racketeering activity, including use of interstate and international wires to further the Illegal Scheme, money laundering, illegal monetary transactions, and interstate and foreign travel in aid of racketeering.

270. Dart, Hay, Haywood, and Hunter conducted and participated in the affairs of Dart Inc., and the related Corporate Instrumentalities through a pattern of racketeering activity, including use of interstate and international wires to further the Illegal Scheme, money

laundering, illegal monetary transactions, and interstate and foreign travel in aid of racketeering, either directly or aiding and abetting the other Investor Defendants.

271. Browder conducted and participated in the affairs of Hermitage and the related Corporate Instrumentalities through a pattern of racketeering activity, including use of interstate and international wires to further the Illegal Scheme, money laundering, illegal monetary transactions, and interstate and foreign travel in aid of racketeering, either directly or aiding and abetting the other Investor Defendants.

272. Avisma was an enterprise pursuant to 18 U.S.C. §1961(4).

273. The Investor Defendants and Hay were associated with Avisma, and conducted and participated in its affairs through a pattern of racketeering activity within the meaning of 18 U.S.C. §1961(5), including use of interstate and international wires to further the Illegal Scheme, money laundering, illegal monetary transactions, and interstate and foreign travel in aid of racketeering, either directly or aiding and abetting each other.

274. Menatep, TMC, the Investor Defendants, Hay, and the Chairman conspired together and acted in concert to engage in the pattern of racketeering beginning no later than December, 1995 and lasting through at least mid-1999.

275. As a result of the Illegal Scheme and underlying Predicate Acts, Avisma has suffered loss in excess of \$45,000,000 from the sale of product by Avisma at below market prices, including loss of \$8,000,000 from 1997, when the Investors purchased the shares in Avisma, through 1998, when the Investors sold their shares, and loss in excess of \$5,000,000 from the overpayment for raw materials.

COUNT VIII
NEW JERSEY RICO VIOLATION (§ 5:12-126(d))

AVISMA V. DEFENDANTS

276. The allegations of the above paragraphs are incorporated herein as if set out in full.

277. Under N.J. Stat. § 5:12-126(d), it is unlawful to conspire to violate any of the provisions of the New Jersey RICO statute.

278. The Investor Defendants, Hay, TMC, Menatep, and the Chairman conspired with each other to commit the above-described violations of N.J. Stat. §§ 5:12-126 (a) and (c), and thus violated N.J. Stat. § 5:12-126(d).

279. Barclays joined in this conspiracy through an agreement to participate in the Illegal Scheme, or, alternatively, its policy of “deliberate blindness” by which it has knowingly permitted the Bank to be used to launder funds improperly obtained from Avisma through international wire transferred effected through its New York office.

280. As a result of the conspiracies and Predicate Acts, Avisma has suffered loss in excess of \$45,000,000 from the sale of product at below market prices, including loss of \$8,000,000 from 1997, when the Investors purchased the shares in Avisma, through 1998, when the Investors sold their shares, and loss of \$5,000,000 from the overpayments for raw materials.

281. The effort by the Investor Defendants and Hay to take control of VSMPO and thereby retake control of Avisma has caused, and will continue to cause, serious dislocations in the operations of Avisma’s business and the market for its securities, as well as disruption and uncertainty among Avisma’s shareholders, customers, suppliers and employees with respect to the management of Avisma’s affairs and its future course of business, causing substantial monetary damages in an amount to be proved at trial, while also threatening irreparable injury to Avisma’s reputation as an honest and reliable business engaged in international commerce.

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282. As co-conspirators, the Defendants are jointly and severally liable for the losses caused by their conspiracy with TMC, the Chairman, and Menatep.

**COUNT IX
FRAUD**

AVISMA V. INVESTOR DEFENDANTS AND BARCLAYS

283. The allegations of the above paragraphs are incorporated herein as if set out in full.

284. Upon information and belief, during the time when the Investor Defendants controlled Avisma, and as part of their conspiracy, Menatep, the Chairman, and the Investor Defendants caused Avisma to issue financial reports and other representations regarding the condition of the company to minority shareholders and others containing misrepresentations and omissions of material facts, including concealment of their diversion of profits from Avisma through the Illegal Scheme.

285. The Investor Defendants effected this through their agent, the Chairman.

286. But for these misrepresentations and omissions, the Illegal Scheme would have been terminated.

287. Barclays either directly participated in or aided and abetted the fraud.

288. As a result of these misrepresentations and omissions of material facts, Avisma has suffered losses of \$45,000,000 from the sale of product at below-market prices and losses in excess of \$5,000,000 from the overpayment for raw materials.

**COUNT X
CONVERSION/THEFT**

AVISMA V. INVESTOR DEFENDANTS AND BARCLAYS

289. The allegations of the above paragraphs are incorporated herein as if set out in

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full.

290. Avisma has the right to the approximately \$45 million which was diverted from it.

291. The diversion of funds to TMC from Avisma through overpricing raw materials sold to Avisma and underpricing products sold by Avisma constitutes conversion by the Investor Defendants and their co-conspirators, including Menatep, the Chairman, and TMC.

292. The Investor Defendants refuse to return these monies.

293. Barclays aided and abetted the conversion.

294. As a result of the conversion, Avisma has suffered losses of \$45,000,000 from the sale of product at below-market prices and losses in excess of \$5,000,000 from the overpayment for raw materials.

**COUNT XI
PRELIMINARY AND PERMANENT INJUNCTIVE RELIEF**

AVISMA V. INVESTOR DEFENDANTS AND HAY

295. The allegations of the above paragraphs are incorporated herein as if set out in full.

296. In June, 1999, the Investors secured the election of Baker, Hay, and Peter Oppenheimer as directors of VSMPO.

297. Subsequently, by letter dated June 30, 1999, Avisma made a renewed demand to certain Investors, including Andersen, Dart, and Hermitage, to return the funds obtained in the Lawsuit to Avisma.

298. No response has been received to the June 30, 1999 Letter.

299. Instead, Hay has suggested in a letter that Baker, Hay, and Oppenheimer would seek to remove the Egorov firm as counsel to VSMPO, in order to obstruct the instant suit. GET

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300. Avisma and VSMPO are concerned that the Investor Defendants, or persons acting in concert with Investor Defendants, may attempt to obtain control over VSMPO in order to take control of Avisma so as to force the discontinuation of this lawsuit.

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301. If the Investor Defendants and Hay were to take over VSMPO, the value of Avisma and VSMPO would be irreparably harmed because no other persons would want to invest or own shares in companies controlled by persons associated with the Illegal Scheme.

302. Avisma seeks injunctive relief to prohibit the Investor Defendants and Hay, or persons acting in concert with the Investor Defendants Hay, from attempting to operate or control Avisma and VSMPO.

303. Avisma seeks injunctive relief compelling the Investor Defendants to divest themselves of the shares of Avisma and VSMPO ~~that~~ they own, directly or indirectly.

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WHEREFORE, Avisma requests relief against Defendants, as follows:

- a. ~~Compensatory damages in excess of \$50,000,000 against all~~
Defendants;
- b. ~~Treble damages in excess of \$150,000,000, pursuant to federal and~~
New Jersey RICO statute against all Defendants;
- c. ~~Punitive damages against all Defendants; and~~
- d. Preliminary and permanent injunctive relief prohibiting the
Investor Defendants and Hay, and persons acting in concert with
the Investor Defendants and Hay, from operating or controlling, or
attempting to operate and control, Avisma or VSMPO;
- e. Permanent injunctive relief
 - (1) Requiring the Investor Defendants and Hay and

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persons under their control to divest any interest they hold in Avisma or VSMPO; and

- (2) Prohibiting the Investor Defendants and Hay and any persons acting in concert with them from acquiring any interest in Avisma or VSMPO in the future;

- f. Costs and attorney fees;
- g. Such other relief as the Court may deem just and equitable.

JURY TRIAL DEMAND

Jury trial demanded on all counts so triable.

LOUIS R. MOFFA, JR. (LM-9432)
RICHARD A. BARKASY (RB-9776)
**SCHNADER HARRISON SEGAL
& LEWIS LLP**
A Pennsylvania Limited Liability Partnership
Woodland Falls Corporate Park
220 Lake Drive East
Cherry Hill, NJ 08002-1165

Attorneys for Plaintiff _____

BRUCE S. MARKS (BM-0991)

EPA & M, LLC
A Pennsylvania Limited
Liability Company
9 South Broad Street
Woodbury, NJ 08096

Attorneys for Plaintiff _____

SPECTOR GADON & ROSEN, P.C.

Paul R. Rosen
Timothy Russell
1635 Market St., 7th Floor
Philadelphia, PA 19103

Special Trial Counsel for Plaintiff

Dated: _____

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APPENDIX 1

WIRINGS IN FURTHERANCE OF THE ILLEGAL SCHEME

Date	From	To	Form of Transmission	Purposes include (upon info & belief)
1995 to 1998 (wirings made upon info and belief)	Conspirators (including Menatep, TMC, the Chairman, and Investor Defendants)	Conspirators (including Menatep, TMC, the Chairman, and Investor Defendants)	International Faxes, Phone Conversations, and e-mails	Set up system of sales and kickbacks; wire payments for raw materials to TMC; wire kickbacks to conspirators; monitor progress of Illegal Scheme
Approximately September, 1997 (upon info & belief)	Investor Defendants	Menatep (possibly through CAIB or other intermediary)	International wire	Make payment for acquisition of Avisma interest to continue/profit from Illegal Scheme
Approximately September, 1997 to Present (Upon Info and Belief)	Frank Baker (NY) Or Hermitage/ Browder Dart, Hay, Haywood and Hunter (NJ)	Frank Baker (NY) Or Hermitage/ Browder Dart, Hay, Haywood and Hunter (NJ)	Interstate Faxes and Telephone Calls Between Investor Defendants in New York and New Jersey	Coordinate activities of the Andersen and Dart Inc. Conspirators; Monitor and Share Info
January 1996 through April 1999	Barclays		International wires of funds to and from United States	Transfer kickbacks from TMC to Bank Menatep and Investors
11/10/98	Frank Baker (NY, USA)	WALLENBERG (London)	International Fax	Further October Conspiracy
11/6/98 11/23/98 12/18/98	Frank Baker (NY, USA)	AVISMA, VSMPO	Fax by Int'l Wire	Lull/ divert attention
12/21/98	Frank Baker (NY, USA)	VSMPO and Avisma (Salda	Fax by Int'l Wire	Control selection of counsel;

		& Berezniki, Russia)		collect proceeds; divert; lull
12/28/98	Frank Baker (NY, USA)	VSMPO and Avisma (Russia)	Phone Call by Int'l Wire	Obtain info to further scheme; lull
12/28/98	Frank Baker (NY, USA)	VSMPO and Avisma (Russia)	Fax by Int'l Wire	Follow-up/ confirm phone call above
1/22/99	Frank Baker (NY, USA)	VSMPO (Russia)	Fax by Int'l Wire	Collect illegal proceeds; lull
1/25/99	Frank Baker (NY, USA)	VSMPO (Russia)	Fax by Int'l Wire	Control selection of counsel; collect proceeds; divert; lull
1/28/99	Franco Barone, London, England	Investor Defendants	Fax by Int'l Wire	Collect proceeds
2/1/99	Frank Baker (NY, USA)	Tony Wollenberg and Franco Barone (London, England)	Fax by Int'l Wire	Collect proceeds
3/10/99	Frank Baker (NY, USA)	Robert Rakison (London, England)	Fax by Int'l Wire	Control counsel for Avisma; collect proceeds
3/10/99	Frank Baker (NY, USA)	Investor Defendants (NJ, USA, Russia)	Fax by Interstate Wire	Collect proceeds; keep co- conspirators informed
3/10/99	Frank Baker (NY, USA)	Tony Wollenberg (London, England)	Fax by Int'l Wire	Collect proceeds
4/12/99	Frank Baker (NY, USA)	John Reynolds (London, England)	Fax by Int'l Wire	Control counsel for Avisma; collect proceeds