

Exhibit 2



NOVEMBER 6, 2015

EXPERT REPORT OF ANTHONY MILAZZO, CPA, CFE

UNITED STATES OF AMERICA

V.

PREVEZON HOLDINGS, LTD., ET AL., 13 CIV. 6326 (TPG)

CRITICAL THINKING
AT THE CRITICAL TIME™

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I. Professional qualifications

1. I am a Senior Managing Director in the Forensic and Litigation Consulting practice of FTI Consulting ("FTI").
2. My expertise includes providing auditing and forensic accounting analysis to attorneys in litigation and investigation matters. I have over 22 years of experience in auditing, corporate finance and forensic accounting and am responsible for leading forensic accounting engagements including receivership asset recoveries, investigations, disputes and general accounting advisory matters. Prior to joining FTI in October 2003, I was a manager with KPMG's Forensic Dispute Advisory Services practice. Prior to that, I worked in private industry for over three years and served as the corporate controller of a software company that created applications for the commercial real estate market and as the CFO of a start-up dot-com. Prior to that, I worked for KPMG in their assurance practice for six years and managed financial statement audits, SEC filing engagements and other special project engagements for a wide range of clients varying in industry and size. I am a Certified Public Accountant in New York and a Certified Fraud Examiner.
3. My Curriculum Vitae, which is enclosed as **Milazzo Exhibit A**, further describes my professional credentials, including my testimonial experience.
4. FTI was engaged in this matter at the hourly billing rates of the individual assigned, plus expenses. My billing rate is \$625 per hour. FTI's fee is not contingent upon the opinions expressed herein or upon the outcome of these proceedings.

II. Scope of services

5. FTI has been retained by BakerHostetler LLP to review and analyze John E. Rollins' ("Rollins") expert report (the "Rollins Report") specifically related to his tracing conclusions issued in this matter dated September 29, 2015.

6. I have considered certain documents produced in this litigation, publicly available information and relevant accounting literature. I was afforded the opportunity to request additional documents as deemed necessary. All of the documents that I relied upon in forming my opinions are those referenced in this Report. A list of documents that I relied upon is attached as **Milazzo Exhibit B**.

III. Overview

7. Prevezon Holdings LLC (“Prevezon”) received approximately \$1.97 million between February and March 2008. The opinions offered by Rollins in paragraph 18 of his report finding that these transfers came from the Russian Treasury are without merit.
8. As further described in this report, Rollins provides two flawed flow of funds analyses as Exhibits A and C of his report.¹ Both of these analyses ignore definitive evidence which proves that transfers were not tied back to the Russian Treasury. For example, a simple review of bank statements related to Castlefront, Megacom and Reaton² proves that \$1.1 million of the \$1.97 million in transfers to Prevezon were definitively from sources unrelated to the Russian Treasury.
9. In addition, Rollins’ opinion that the remaining \$857,354 came from the Russian Treasury is seriously flawed and is not supported by the documents upon which he relies. Rollins’ Exhibit A includes 27 different entities between the Russian Treasury and Prevezon that transferred rubles and dollars equivalent to hundreds of millions of dollars. These transfers mostly originated from sources unrelated to the Russian Treasury which created a massive amount of commingling of cash throughout this network of entities. Since the Government allegations do not identify a person(s) who directed the flow of funds, Rollins must rely upon assumptions about that person(s)’ intentions. His assumption does not take into account the possibility that the person directing the funds

¹ Entities listed in these exhibits include the Russian Central Bank (“Russian Treasury”), Parfenion, Rilend, Makhaon, Lanitime, Yauza-Region, Fausta, Univers, Inteks-M, Anika, DalProm, Candy, Vermont, ZhK, Aleks, Optimal, Krokus, Komino, StarMix, Trial, Omega, PromTorg, Kareras Limited (“Kareras”), Elenast-Com SRL (“Elenast”), Bunicon-Impex SRL (“Bunicon”), Castlefront LLP (“Castlefront”), Megacom Transit Limited (“Megacom”), Reaton Ltd. (“Reaton”), Nomirex Trading Limited, Quartell Trading (“Quartell”), Baikonur Worldwide (“Baikonur”), Arivust Holdings (“Arivust”), and Aikate Properties Inc. (“Aikate”).

² Reaton information is not necessarily a bank statement, but a transaction record in spreadsheet form.

did not direct the funds consistently with Rollins' assumptions. In addition, Rollins applied his assumptions inconsistently and incorrectly.

10. Although not directly presented in his Exhibit A, Rollins claims to rely upon a tracing presumption known as the Lowest Intermediate Balance ("LIB") calculation. LIB is a tracing principal used to determine the rights to funds remaining in a commingled bank account. A traditional LIB calculation assumes that trust or secured funds deposited into a commingled bank account are the last funds disbursed from that account, and any disbursements made from the account are taken first from funds other than the trust or secured funds until the balance in the account dips below the amount of those trust or secured funds. In other words, under LIB, trust or secured funds are assumed to fall to the bottom of the commingled bank account and subsequent disbursements made from the commingled account are taken off the top first.³
11. By using this methodology, Rollins improperly ignores the likely possibility that Prevezon received the \$1.97 million from non-Russian Treasury sources that had nothing to do with the purported unlawful proceeds sent from the Russian Treasury. He ignores this possibility even though more funds were available to the entities that sent the funds to Prevezon (i.e., Bunicon, Elenast and Reaton) than could have possibly come from the purported Russian Treasury transfers. Rollins also ignores the fact that these 27 entities had a significant level of daily transactions thus creating a huge amount of fungible commingled cash that make Rollins tracing conclusions unsupportable.
12. Rollins admits that he cannot conduct an LIB calculation from the documents provided him by the Government or the LIB calculation does not support the Government's case. Rollins then ignores his own findings. A consistent application of Rollins' LIB methodology shows that no funds from the Russian Treasury were included in the \$1.1 million allegedly transferred from Reaton to Prevezon. Paragraphs 196 and 197, including Table 79, of the Rollins Report proves that Rollins' own LIB findings do not support his opinions. It is inexplicable why Rollins would offer an opinion that his own report contradicts.

³ *Asset Tracing & Recovery: The FraudNet World Compendium*, Bernd H. Klose, defines LIB as follows: "Under the LIBT, a court assumes that trust funds are the last monies withdrawn from a commingled account. However, once trust money is removed (i.e. the balance of the commingled account dips below the total amount of money claimed as trust funds), that money is not replenished, even if more funds are deposited."

13. Knowing that there were flaws with his Exhibit A and his LIB conclusions, Rollins prepared an alternative presentation, his Exhibit C, however Exhibit C is also significantly flawed. Exhibit C artificially eliminates from consideration all funds flowing through the 27 accounts that did not come from the Russian Treasury but could have been the source of the Prevezon deposits. Rollins continues to ignore the fact that more of the funds were available to the entities that sent the funds to Prevezon than could have possibly come from the purported Russian Treasury transfers and the fact that there was massive daily commingling even amongst the remaining accounts presented in Exhibit C. When the LIB calculation failed to support his conclusions, Rollins abandoned any recognized tracing methodology in lieu of something he calls “outflows limited to inflows” which is not a valid methodology. This methodology completely and artificially removes all third party cash activity from the flow of funds. Thus, Rollins assumes, without proof, that the funds Prevezon received came from the Russian Treasury. He even applies this methodology wrongly in some cases where the outflows are actually greater than the inflows. Moreover, this “outflows limited to inflows” approach continues to ignore the actual evidence in the bank statements which proves that \$1.1 million could not have come from the Russian Treasury.
14. Rollins is also silent as to the use of funds by Prevezon after it receives these transfers. These funds were received between February and March 2008 and used to make an investment in Europe in May and June 2008. Prevezon does not purchase real estate in New York until nearly two years later, with a combination of \$1,830,000 received from entities not discussed in the Rollins Report and \$554,270 from interest earned on its European investment. None of the \$1.97 million of allegedly stolen Russian Treasury funds ever came to the United States. Prevezon’s earned income on its European investment may indirectly be linked to escrow payments made to the United States.
15. In addition to the flawed analyses represented within Exhibits A and C, Rollins included entities in these Exhibits although the bank account statements for these entities were either completely missing or in such poor quality that Rollins could not accurately read them. The Rollins Report includes numerous references to limitations on documents, completely missing bank statements and documents Rollins describes as obscured or illegible. By example, Rollins inexplicably attempted to calculate the LIB for accounts that he didn’t even have a bank statement for. This is tantamount to providing a detailed analysis without the detail. In other words, Rollins gave the appearance that he was providing a detailed tracing analysis when in fact the bank statements for those accounts

that would provide the details were not available (e.g., Exhibit Q LIB calculation for Rilend).

16. Overall, the opinions in the Rollins Report are greatly flawed as he repeatedly ignored reality including, but not limited to, (1) the fact that at least \$1.1 million in transfers is definitively not from the Russian Treasury, (2) the massive amount of commingling of funds unrelated to the Russian Treasury within the network of accounts in his Exhibits A and C means the remaining \$857,354 cannot be traced to the Russian Treasury, and (3) the lack of complete and reliable bank statements to support his conclusions means his analysis never should have been undertaken.

IV. Rollins ignored the use of funds unrelated to the Russian Treasury that directly funded transfers to Prevezon

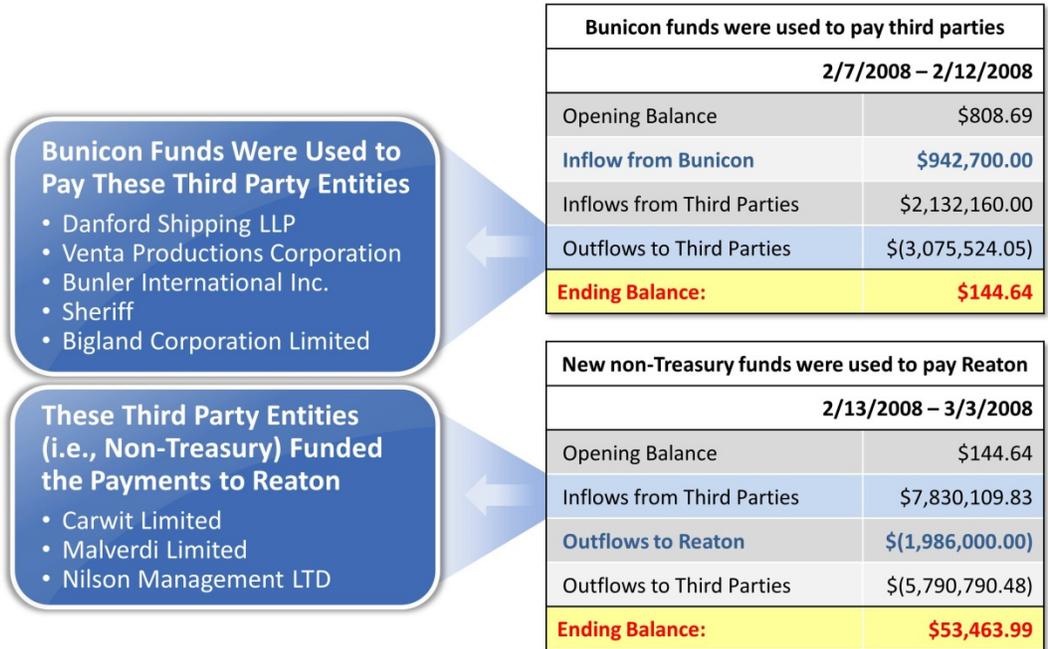
A. Exhibits A and C of the Rollins Report ignore the fact that funds other than those from the Russian Treasury were used in the transfers to Prevezon

17. Rollins opines that the \$1.97 million transferred to Prevezon were solely from Russian Treasury sources. Nothing can be further from the truth. A simple review of the bank statements proves otherwise. As outlined further in this report, there was a massive amount of commingling that occurred at all levels of the flow of funds analysis prepared by Rollins. This means that hundreds of millions of dollars of funds unrelated to the Russian Treasury were available to eventually fund the transfers to Prevezon. Rollins makes every effort to avoid discussing this possibility as he artificially picks and chooses which funds from the Russian Treasury may have been available to transfer to Prevezon.
18. At the level of transfers from Bunicon to Megacom and Castlefront, Rollins completely ignores definitive evidence which proves that \$1.1 million in transfers were not tied back to the Russian Treasury. A review of certain bank statements proves that cash transfers to Prevezon came from sources that did not come from the Russian Treasury.

19. Both Exhibits A and C of the Rollins Report include \$1.1 million of transfers from Reaton to Prevezon which Rollins includes in his opinion as “proceeds from the Russian tax refunds.”⁴ A look into the bank statements for entities that provided funds to Reaton, Castlefront and Megacom proves that this opinion is completely unfounded.
20. Both entities, Castlefront and Megacom, received funds from Bunicon and then sent those funds to third parties. To emphasize this point, any funds from Bunicon that could have possibly been tied back to the Russian Treasury were used by both Castlefront and Megacom to make other third party payments and were not used to make payments to Reaton and thus were not used to make payments from Reaton to Prevezon.
21. The subsequent transfers from Castlefront and Megacom to Reaton were funded with inflows from third parties having no connection to the Russian Treasury.
22. The chart below related to Castlefront makes it clear that inflows from Bunicon were spent on transfers unrelated to Prevezon and that subsequent payments to Reaton were made using new money unrelated to Bunicon:

⁴ Rollins Report, paragraph 18.

Bunicon Funds into Castlefront Do Not Go to Reaton



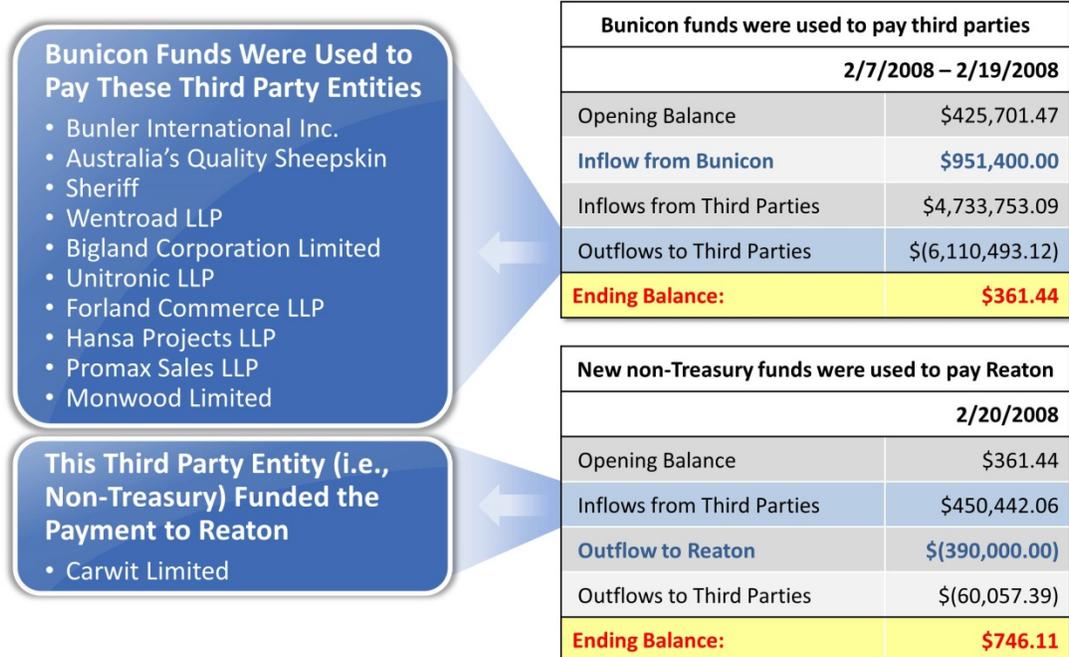
23. On February 7, 2008, Castlefront had an opening account balance of \$808. Between February 7, 2008 and February 12, 2008, Castlefront received \$942,700 from Bunicon and \$2.1 million from other third parties. In addition, between February 7, 2008 and February 12, 2008, Castlefront made payments to other third parties including Danford, Venta, Bunler, Sheriff and Bigland which brought the Castlefront balance down to \$144 on February 12, 2008. Again, to be clear, after the \$942,700 comes to Castlefront from Bunicon it is used to make payments to third parties and is no longer available. That means that any subsequent payments out of Castlefront were made using funds unrelated to Bunicon and thus, unrelated to the Russian Treasury fraud.

24. On February 13, 2008, Castlefront had an opening account balance of \$144. Between February 13, 2008 and March 3, 2008, Castlefront received \$7.8 million of new funds from other third parties including Carwit, Malverdi and Nilson. Also between February 13, 2008 and March 3, 2008, Castlefront makes payments of \$5.8 million to other third parties and payments of \$1,986,000 to Reaton. Given that the

balance went down to \$144 after the Bunicon transfers, it is clear that the subsequent payments to Reaton were from the new sources of funds and not from Bunicon. Therefore, the transfers from Bunicon did not fund the transfers to Reaton and thus did not fund the transfers from Reaton to Prevezon.

25. The chart below related to Megacom also proves that the Bunicon transfer of \$951,400 into Megacom was not available to be used to make subsequent payments to Reaton and thus not available to make subsequent payments to Prevezon.

Bunicon Funds into Megacom Do Not Go to Reaton



26. On February 7, 2008, Megacom had an opening account balance of \$425,701. Between February 7, 2008 and February 19, 2008, Megacom received \$951,400 from Bunicon and \$4.7 million from other third parties. In addition, between February 7, 2008 and February 19, 2008, Megacom made payments to other third parties including Bunler, Australia's Quality Sheepskin, Sheriff, Wentroad, Bigland, Unitronic, Forland Commerce, Hansa Projects, Promax Sales and

Monwood which brought the Megacom balance down to \$361 on February 19, 2008. Again, to be clear, after the \$951,400 comes to Megacom from Bunicon it is used to make payments to third parties and is no longer available. That means that any subsequent payments out of Megacom were made using funds unrelated to Bunicon.

27. On February 20, 2008, Megacom had an opening account balance of \$361. On February 20, 2008, Megacom received \$450,442 of new funds from Carwit, a third party. Also on February 20, 2008, Megacom made payments of \$60,057 to other third parties and a payment to Reaton of \$390,000. Given that the balance went down to \$361 after the Bunicon transfers, it is clear that the subsequent payment to Reaton was from new sources of funds and not from Bunicon. Therefore, the transfer from Bunicon did not fund the transfers to Reaton and thus did not fund the transfers from Reaton to Prevezon.
28. In summary, a review of the bank statements related to Castlefront and Megacom provides definitive evidence that Prevezon did not receive \$1.1 million in Russian Treasury funds from these entities and therefore, Rollins' opinion that Prevezon received \$1.97 million from the Russian Treasury is wrong.

B. Rollins ignores his own Lowest Intermediate Balance analysis calculations which proves that none of the \$1.1 million from Reaton to Prevezon could have been from Russian Treasury sources

29. Not only was Rollins' opinion regarding the \$1.1 million from Reaton wrong (i.e., the transfers from Reaton to Prevezon were not related to Russian Treasury funds), but the Rollins Report even provides LIB findings that contradict his own opinion.
30. Inexplicably, Rollins ignored his own LIB findings presented in his report within paragraphs 196 and 197, including his Table 79. The LIB calculations prove that the \$1.1 million does not tie back to Russian Treasury funds and is paid from new funds available in these accounts.

31. Table 79 includes only \$2,063 of a combined LIB balance for Castlefront and Megacom. Exhibit Q to the Rollins Report includes his LIB calculations for Castlefront and Megacom which demonstrates that the combined LIB is actually \$506. Further, new money was available for the subsequent transfers to Reaton which proves that no Russian Treasury funds were part of the \$1.1 million eventually transferred to Prevezon.
32. Therefore, it is confounding that Rollins would offer a concluding opinion that the \$1.97 million transferred to Prevezon could be tied back to the Russian Treasury funds. Again, his own report and LIB calculations definitively prove that at least \$1.1 million could not be tied back to the Russian Treasury funds. He should not have offered this opinion.

C. Rollins continued to falsely link Russian Treasury funds from Reaton to Prevezon in his Exhibit C through an ill-conceived methodology he came up with called “outflows limited to inflows”

33. Rollins acknowledges that his LIB calculations do not support his conclusions. As an alternative, Rollins set forth an ill-conceived flow of funds methodology he labeled as “outflows limited to inflows” within his Exhibit C.
34. This approach is not a recognized tracing methodology and is not based on actual transfer activity. For example, on Exhibit A, Rollins states that Candy transferred 66 million rubles to Trial, however, on Exhibit C, Rollins changes this transfer to 47.4 million rubles to match the amount of inflows in Candy from Lanitime. The 47.4 million rubles into Trial is a made up number by Rollins. This number does not tie to any actual transfers. By taking out 18.6 million rubles, Rollins is omitting the non-Russian Treasury funds that could have been the source of the funds going to Prevezon. Rollins repeats this unsound approach throughout Exhibit C. Not only is this approach based upon made up numbers, but it also is not a recognized tracing methodology that would properly consider unrelated, commingled funds in these accounts.

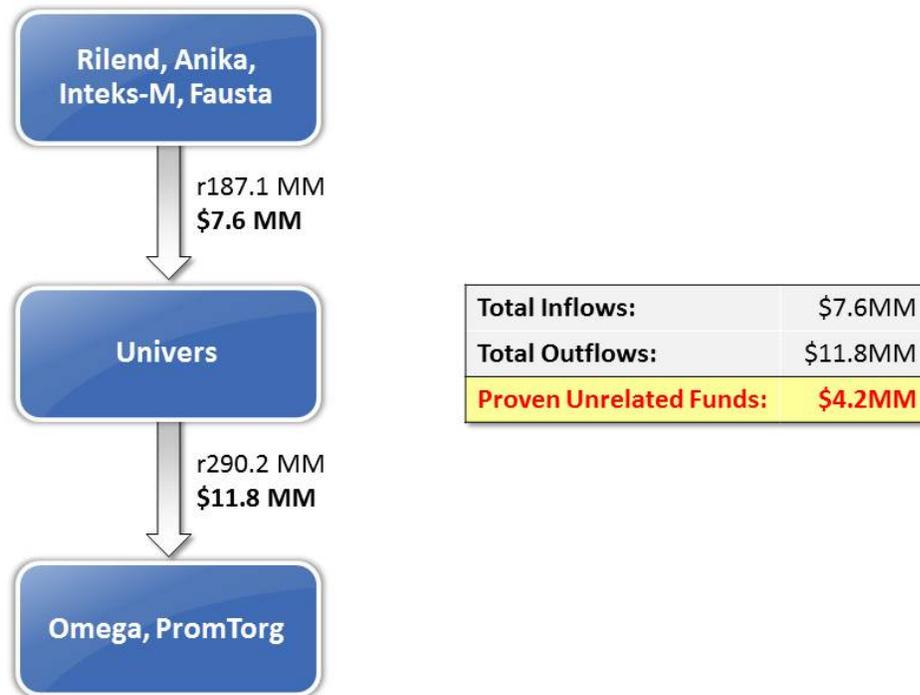
35. This unsound methodology completely ignores reality and seeks to eliminate any outside sources of funds unrelated to the Russian Treasury. This, by itself, proves that Rollins is picking and choosing which information to look at without observing what really occurred in these accounts. What really occurred is a massive amount of commingling of funds completely unrelated to the Russian Treasury.
36. For example, under his unsound methodology, Rollins supposedly traced \$942,700 from Bunicon to Castlefront and then the same \$942,700 from Castlefront to Reaton. As outlined above, a simple look into the bank statements of Castlefront proves that transfers from Castlefront to Reaton were not funded by the transfers in from Bunicon. The Bunicon funds were sent to third parties and the transfers to Reaton were funded by new sources of money having nothing to do with the Russian Treasury. Again, Rollins should not have offered this as part of his opinions.
37. Inclusion of this flow of funds component on Exhibits A and C when Rollins' own determination is that the funds couldn't have been tied back to the Russian Treasury demonstrates that Rollins contradicts himself.
38. Not only does Rollins use an unsound "outflows limited to inflows" approach within Exhibit C, he does not accurately apply it. For example, the outflows from Trial to Kareras (190.2 million rubles) are greater than the inflows to Trial (179.9 million rubles). Therefore, the outflows in this example are not limited to the inflows as they actually exceed the inflows. Thus, not only does Rollins use a flawed and unsound methodology, but he also makes errors in applying that flawed and unsound methodology.

V. Rollins ignored the significant commingling of funds unrelated to the Russian Treasury

A. Rollins ignores that purported Russian Treasury funds were immediately commingled with a significant amount of other, non-Russian Treasury funds

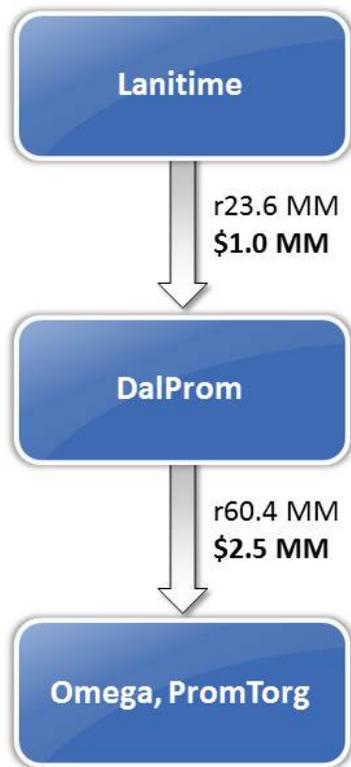
39. Exhibit A to the Rollins Report identifies a number of entities that had larger amounts of outflows than inflows related to “flow of funds” transfers. This is a simple way of mathematically demonstrating that more cash was available prior to the transfers to Prevezon than from possible Russian Treasury sources. The following are examples of this:⁵

- a. Exhibit A reflects 187.1 million rubles (\$7.6 million) of transfers to Univers and subsequent transfers out of Univers of 290.2 million rubles (\$11.8 million). This mathematically proves that the excess amount of subsequent transfers of \$4.2 million (\$11.8 million less \$7.6 million) is from non-Russian Treasury sources.



⁵ Foreign currency conversion throughout this report is based upon the transfer date using rates from www.oanda.com. Generally, the conversion was applied against the most detailed information available, for example, the detailed information within Rollins’ Exhibit B which is summarized at a more general level in his Exhibit A.

- b. Exhibit A to the Rollins Report reflects 23.6 million rubles (\$1 million) of transfers to DalProm and subsequent transfers out of DalProm of 60.4 million rubles (\$2.5 million). This mathematically proves that the excess amount of subsequent transfers of \$1.5 million (\$2.5 million less \$1 million) is from non-Russian Treasury sources.



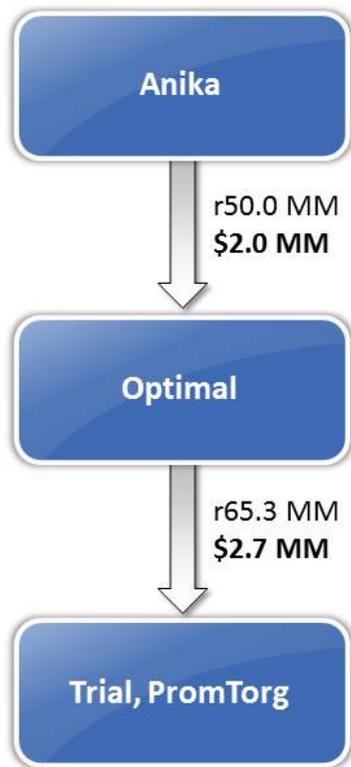
Total Inflows:	\$1.0MM
Total Outflows:	\$2.5MM
Proven Unrelated Funds:	\$1.5MM

- c. Exhibit A to the Rollins Report reflects 47.4 million rubles (\$1.9 million) of transfers to Candy and subsequent transfers out of Candy of 66 million rubles (\$2.7 million). This mathematically proves that the excess amount of subsequent transfers of \$800 thousand (\$2.7 million less \$1.9 million) is from non-Russian Treasury sources.



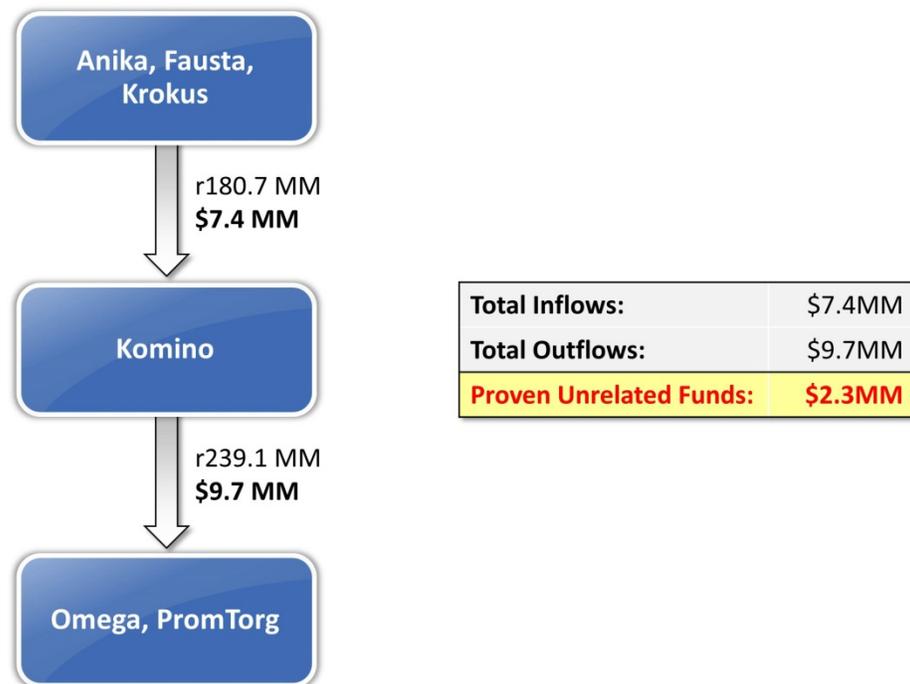
Total Inflows:	\$1.9MM
Total Outflows:	\$2.7MM
Proven Unrelated Funds:	\$0.8MM

- d. Exhibit A to the Rollins Report reflects 50 million rubles (\$2 million) of transfers to Optimal and subsequent transfers out of Optimal of 65.3 million rubles (\$2.7 million). This mathematically proves that the excess amount of subsequent transfers of \$700 thousand (\$2.7 million less \$2 million) is from non-Russian Treasury sources.



Total Inflows:	\$2.0MM
Total Outflows:	\$2.7MM
Proven Unrelated Funds:	\$0.7MM

- e. Exhibit A to the Rollins Report reflects 180.7 million rubles (\$7.4 million) of transfers to Komino and subsequent transfers out of Komino of 239.1 million rubles (\$9.7 million). This mathematically proves that the excess amount of subsequent transfers of \$2.3 million (\$9.7 million less \$7.4 million) is from non-Russian Treasury sources.

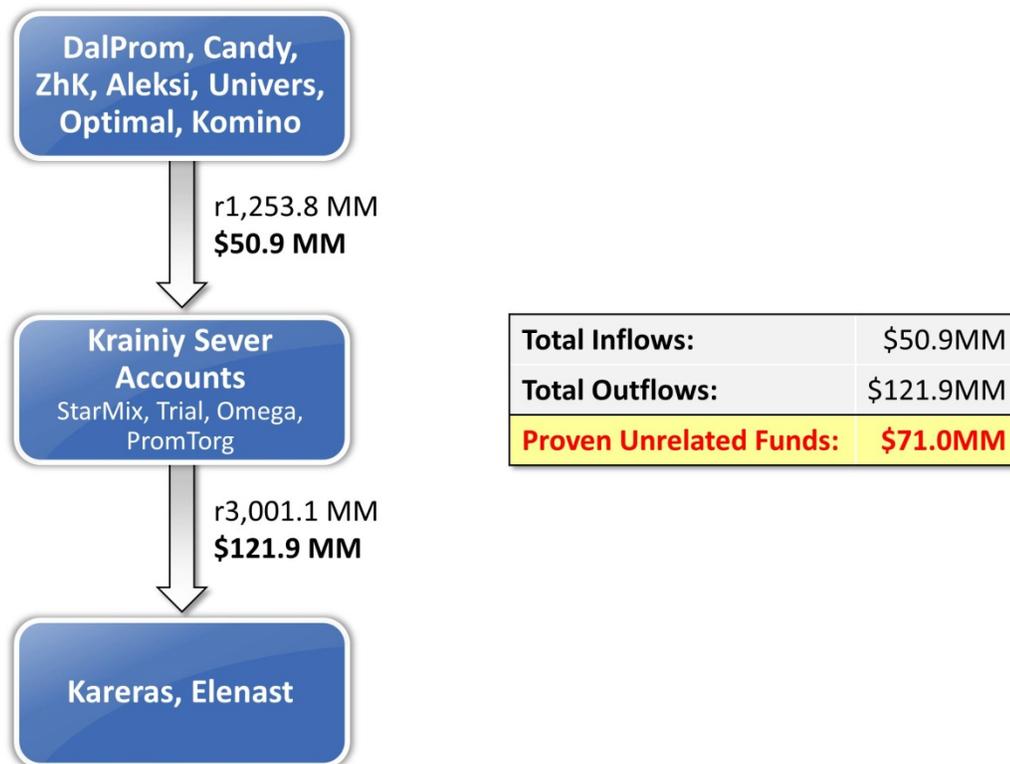


40. These five examples alone total \$9.5 million of non-Russian Treasury funds that went through the same entities identified by Rollins. This is especially important considering that the eventual transfers to Prevezon of \$1.97 million were a subset of this \$9.5 million and thus could have as easily been sourced from this pool of unrelated funds as from any purported funds from the Russian Treasury. Further, this \$9.5M is only an example of the other, unrelated funds included in the pool of funds. As further described below, the flow of funds through the Krainiy Sever

accounts exponentially proves that more cash was available from unrelated sources. The Rollins Report ignores this fact completely by opining that the only funds available prior to the transfers to Prevezon were those from the Russian Treasury.

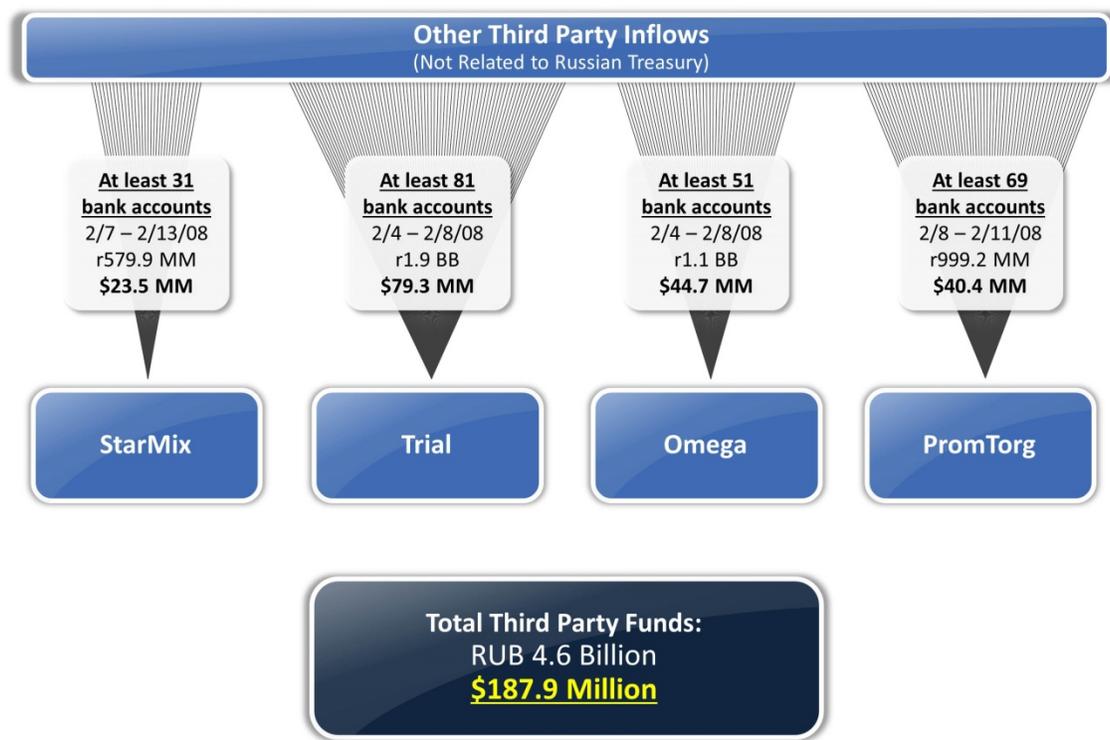
B. Rollins ignores that funds transferred to StarMix, Trial, Omega and PromTorg compared to subsequent transfers mathematically proves that more funds were available from unrelated sources than from purported Russian Treasury sources

41. Exhibit A of the Rollins Report identifies 1.3 billion rubles (\$50.9 million) in transfers into four Krainiy Sever accounts (StarMix, Trial, Omega and PromTorg). Subsequent to these transfers, Exhibit A identifies 3.0 billion rubles (\$121.9 million) of transfers into Kareras at Krainiy Sever and Elenast from these four accounts. This mathematically proves that at least \$71 million (\$121.9 million less \$50.9 million) of the funds available prior to the subsequent transfers were from non-Russian Treasury sources. Therefore, more funds were available from unrelated sources than from any possible Russian Treasury source prior to any eventual transfers to Prevezon. Again, mathematically, \$71 million was guaranteed to be from unrelated sources. This is in addition to the \$9.5 million of new funds that were transferred into the Krainiy Sever accounts totaling at least \$80.5 million of funds which were a more likely pool of funds for the eventual transfers to Prevezon.



42. This additional \$71 million of unrelated funds came from numerous entities not listed on Exhibits A of the Rollins Report. The diagram below illustrates that a massive amount of unrelated inflows into StarMix, Trial, Omega and PromTorg led to the commingling and transfer of unrelated funds to Kareras and Elenast.⁶

⁶ Values were derived from Rollins' Exhibit Q, LIB calculations, as transaction data for these entities included obscured numbers and could not be relied upon. For PromTorg, Rollins' Exhibit Q includes mistakes in his flow of funds versus non flow of funds amount breakdown. Rollins overstates his flow of funds amount by 148.8 million rubles as compared to his report where PromTorg was the recipient of 485.5 million rubles and not 634.3 million rubles as Exhibit Q would suggest. Therefore, an adjustment was made to his non flow of funds amount by this 148.8 million rubles (850.4 million rubles per Exhibit Q plus Rollins error of 148.8 million rubles = 999.2 million rubles related to non flow of funds).



43. As further described below, this \$187.9 million of cash (from 232 third party entity accounts) unrelated to the Russian Treasury represented a significant amount of the overall daily cash activity over this time period and ultimately was a more likely pool of funds eventually transferred to Prevezon than those from the Russian Treasury. By comparison, Rollins relies upon commingled funds of \$50.9 million that are not necessarily linked to the Russian Treasury as his evidence of cash eventually available for the transfers to Prevezon, but completely ignores \$187.9 million of non-Treasury funds that were also available within these Krainiy Sever accounts.

C. The Krainiy Sever accounts alone have billions of ruble activity on a daily basis representing a massive amount of fungible cash commingling

44. The Krainiy Sever accounts included billions of rubles of cash activity representing a massive commingling of funds. Aggregating the daily activity for the Krainiy Sever accounts highlights the significant amount of activity in these accounts. During the example period of February 4 to February 13, 2008, evident from Rollins Exhibit A as the period in which flow of funds transfers occurred within the Krainiy Sever accounts for StarMix, Trial, Omega, and PromTorg, there were over 5.9 billion rubles (\$241.0 million) of inflows to those four accounts. To clarify, the \$241.0 million of inflows is comprised of (1) \$187.9 million from non-Russian Treasury sources, (2) \$50.9 million from entities listed on Exhibit A of the Rollins Report (i.e., DalProm, Candy, ZhK, Aleksy, Univers, Optimal, Komino) which also includes a significant amount of non-Russian Treasury cash, and (3) \$2.2 million of transfers between StarMix, Trial and Omega.
45. The vast majority of the inflows during the period of February 4 to February 13, 2008, 4.6 billion rubles (\$187.9 million), were from sources unrelated to the entities identified in Rollins Exhibit A, highlighting the fact that a massive amount of commingled funds from non-Russian Treasury sources were available in the accounts for StarMix, Trial, Omega, and PromTorg prior to subsequent transfers to Elenast and Kareras. These non-Russian Treasury inflows represent approximately 78% of the total applicable inflows during the period of February 4 to February 13, 2008 (\$187.9 million / \$241.0 million).⁷

⁷ Values were derived from Rollins' Exhibit Q, LIB calculations, as transaction data for these entities included obscured numbers and could not be relied upon.

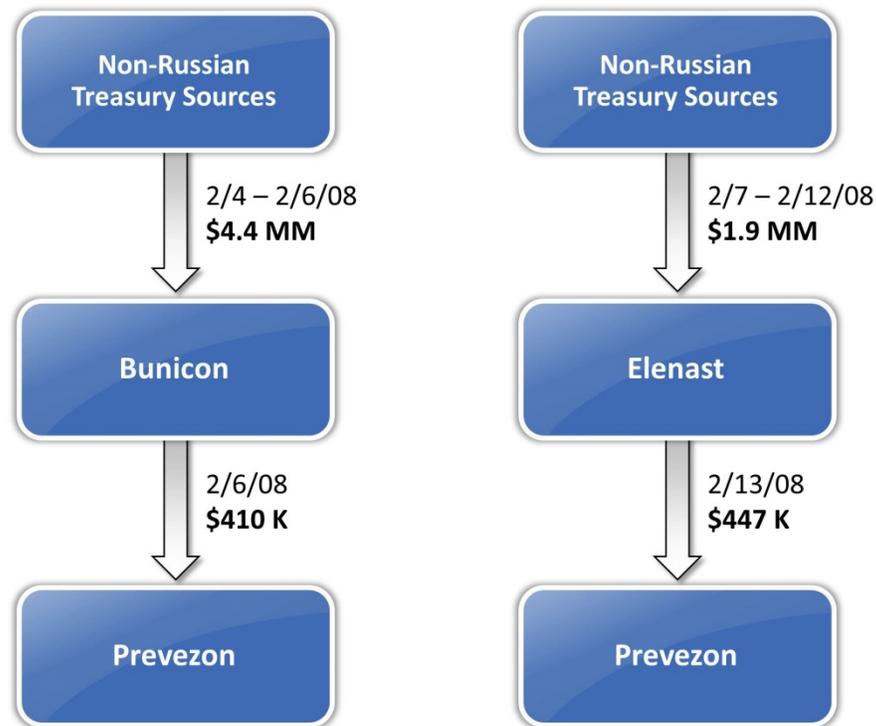
	RUB		USD	
	Total Inflows	Total Outflows	Total Inflows	Total Outflows
StarMix	RUB 604,893,156	RUB 619,064,766	\$24,509,058	\$25,082,179
Trial	RUB 2,195,853,281	RUB 2,195,855,582	\$89,432,129	\$89,362,663
Omega	RUB 1,645,267,690	RUB 1,645,267,690	\$67,013,288	\$66,986,233
PromTorg	RUB 1,484,696,334	RUB 985,779,218	\$60,057,059	\$39,849,083
Total	RUB 5,930,710,461	RUB 5,445,967,256	\$241,011,535	\$221,280,158

Total Unrelated Inflows	\$187.9 Million
Total Inflows	\$241.0 Million
Unrelated Inflows as a % of Total Inflows	<u>78%</u>

D. Rollins ignores transfers into Bunicon and Elenast that were unrelated to any Russian Treasury sources which could easily have funded the subsequent transfers to Prevezon

46. Prior to transfers to Prevezon, Bunicon and Elenast received over \$6.3 million from sources unrelated to the Russian Treasury. These funds could have easily been used to fund the \$857,354 that was paid by these entities to Prevezon. Rollins chose to ignore these unrelated funds and gave no credence to them at all. The diagram below illustrates this point.⁸

⁸ Values were derived from Rollins' Exhibit Q, LIB calculations, as transaction data for these entities included obscured numbers and could not be relied upon.



E. None of the \$1.97 million in allegedly Russian Treasury funds were ever invested by Prevezon in the United States

47. The Rollins Report does not identify any allegedly Russian Treasury funds that were transferred into the United States.

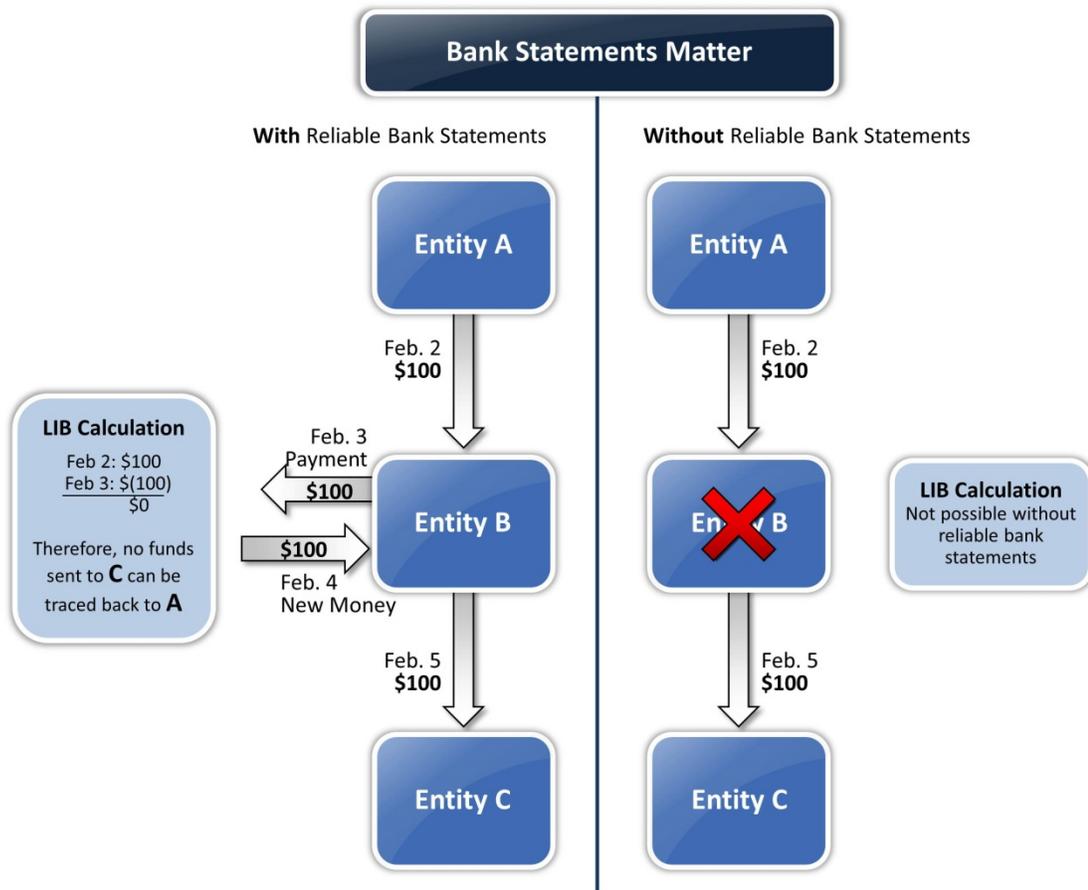
48. After the transfers in February 2008, the funds from Bunicon and Elenast were commingled with a significant amount of other funds in the Prevezon UBS dollar account. Between March and June 2008, a portion of these commingled funds were then transferred to the Prevezon UBS euro account and yet again commingled with other funds. Between May and June 2008, a portion of these funds were then used to buy a 30% interest in Dutch companies that held German real estate in a joint venture with a European company, AFI.

49. During November 2009, nearly two years after Prevezon received the transfers from Bunicon and Elenast, the Prevezon UBS euro account received a return on its AFI investment in the amount of 395,000 euros.
50. Also during November 2009, 371,645 euros were transferred from the Prevezon UBS euro account to the Prevezon UBS dollar account for a dollar amount equivalent of \$554,270. During this month, Prevezon also received over \$1.8 million from two entities not related to the Russian Treasury and not listed in Rollins Report. The combination of this \$1.8 million and the \$554,270 received from the Prevezon euro account was used to fund the real estate escrow payments at issue in this matter of \$1,980,000. Therefore, the only conceivable indirect link between any possible Russian Treasury funds and payments into the United States would be through Prevezon's investment with AFI and, more specifically, through the interest received from Prevezon's AFI investment that were used to fund escrow payments into the United States.
51. Therefore, the transfers from Bunicon and Elenast in February 2008 were commingled with other funds which were used by Prevezon to purchase an investment in Europe. Prevezon did not purchase the real estate at issue in this matter until November 2009. The funding for this purchase was through a combination of \$1,830,000 received from entities not discussed in the Rollins Report and \$554,270 from interest earned on its European investment. Thus, Rollins does not identify any funds allegedly from the Russian Treasury fraud that were transferred into the United States.

VI. A detailed tracing is not possible due to the lack of sufficient and reliable evidence

A. Not only does Rollins attempt to use artificial tracing methodologies, but he also disregards the need for complete and accurate bank statements to actually carry out those analyses

52. As described further in this section, Rollins prepared his analyses with many missing bank statements and information that he couldn't even read properly that he describes as obscured and illegible. Based upon this unreliable information, he should have passed on offering his opinions. Detailed, accurate bank statements matter because daily transaction activity is critical in performing any tracing analysis. The diagram below highlights that a transfer in and a transfer out needs to be assessed based upon actual, legible, accurate information. Without this reliable information, any tracing analysis is guesswork.



53. The above diagram shows that just because \$100 was transferred to Entity B and then Entity B sent \$100 to Entity C it in no way proves that it is the same \$100. This is the reason why detailed, accurate bank records need to be available. The left side of the diagram proves that the \$100 from Entity A was used to make a payment. After this payment, the funds from Entity A are no longer available. Then

new money is received by Entity B which is used to transfer funds to Entity C. Therefore, without the bank statement detail it may seem like the \$100 passed from Entity A to Entity C through Entity B, however, with the bank statement detail it is clear that funds from Entity A were used, and not available, resulting in Entity C receiving new money from an unrelated source of funds into Entity B.

54. The above diagram is very similar to the situation with Castlefront and Megacom discussed in this report in that inflows were used to make payments to third parties and subsequent outflows were funded from new sources. Again, just because there is an inflow doesn't mean that the inflow is connected or traceable to a subsequent outflow. A detailed look at the bank statements is required to make this determination.

B. Exhibit A of the Rollins Report includes numerous accounts that are missing bank statements or have information that is obscured or illegible by Rollins' own admission

55. Rollins includes numerous caveats in his report about the limitations of the documents available to him. On more than one occasion his report includes statements such as "I had access to a limited number of Source Documents."⁹ He defines Source Documents as bank statements and other banking data. Rollins also includes numerous caveats about the quality of the information he had access to and states that his Source Documents include those that are "obscured or illegible due to poor scan quality of the documentation."¹⁰ Rollins disregarded the fact that documents were obscured and states many times in his report that amounts had to be estimated,¹¹ inferred or imputed¹² because he literally couldn't read the information he was basing his opinions on. These caveats related to obscured documents are tantamount to guesswork and Rollins should not have relied on them. Further, many of the bank related documents that Rollins relies upon were

⁹ Rollins Report, paragraphs 34 and 198.

¹⁰ Rollins Report, paragraph 52.

¹¹ Rollins Report exhibits include many instances of Rollins estimating information that is obscured. For example, his ZhK LIB calculation within Exhibit Q includes four footnotes (3-6) where Rollins states "This is an estimated amount."

¹² By example, Rollins Report, paragraph 52.

actually photographs of documents and the photographer had no direct knowledge as to their authenticity.¹³

56. As an accountant and former auditor, I have been trained that the appropriateness, reliability and sufficiency of any evidence is critical in forming an opinion. The AICPA auditing professional standards are very clear about the need to evaluate evidence before an auditor can use that evidence as the basis for an opinion. The literature states: “Appropriateness is the measure of the quality of audit evidence... the reliability of evidence is influenced by its source and nature and is dependent on the individual circumstances under which it is obtained.”¹⁴ “Sufficiency is the measure of the quantity of audit evidence... however, obtaining more audit evidence may not compensate for its poor quality.”¹⁵ In fact, auditors are instructed to disclaim an opinion “due to an inability to obtain sufficient appropriate audit evidence...”¹⁶ The Rollins Report attempts to work with a very limited set of evidence, however that evidence is not sufficient and is unreliable for purposes of a detailed tracing analysis and thus no opinion of such tracing should have been issued.

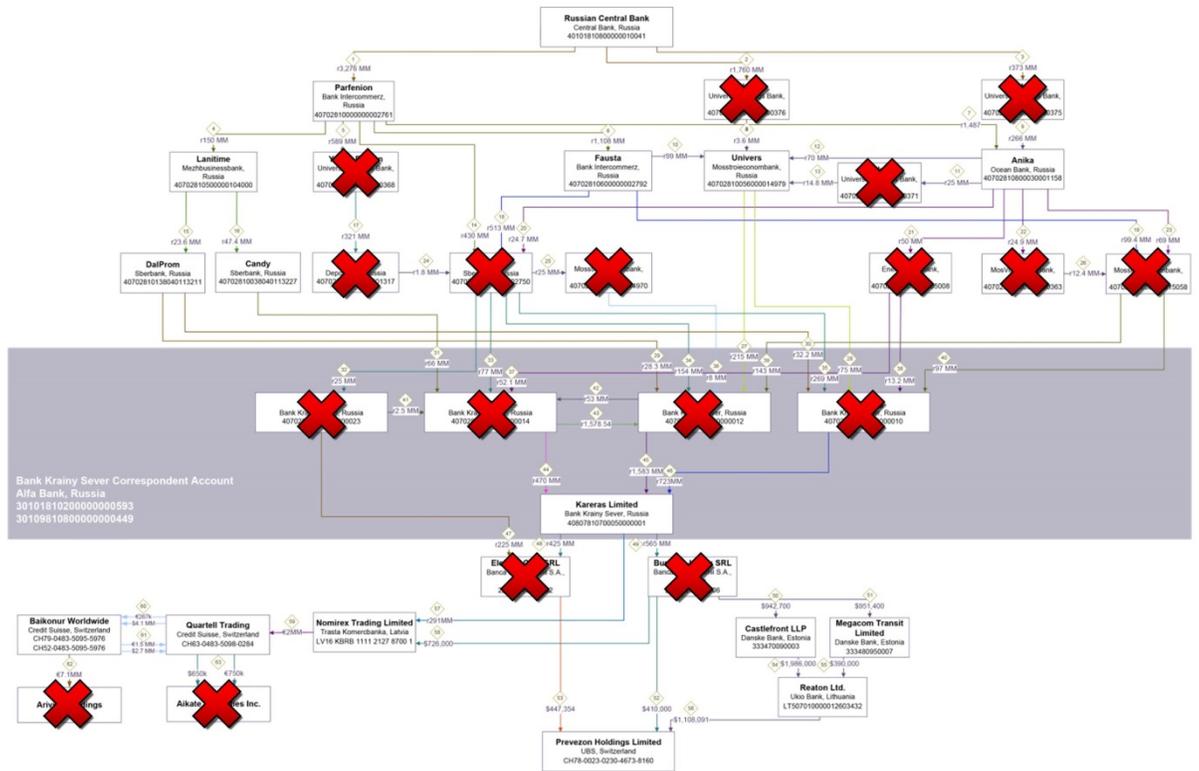
57. Exhibit A of the Rollins Report included many accounts that had missing bank statements and obscured (i.e., illegible) data. The diagram below illustrates all of the accounts, 18 in total, that by Rollins’ own admission, were either missing or obscured.

¹³ Deposition of Nikolai Gorokhov, October 1, 2015, p. 147. “Q. Do you have any personal knowledge of their authenticity? A. I cannot assert to the authenticity of documents.”

¹⁴ AICPA Professional Standards, AU-C Section 500, *Audit evidence*, paragraph A5.

¹⁵ AICPA Professional Standards, AU-C Section 500, *Audit evidence*, paragraph A4.

¹⁶ AICPA Professional Standards, AU-C Section 705, *Modifications to the opinion in the independent auditor’s report*, paragraph 26.



58. The following entities included on Exhibit A have missing or obscured supporting documentation (including actual examples within the Rollins Report and related exhibits where Rollins explicitly states that information was missing or obscured):

a. Rilend – Missing Statements:

- "A beginning balance of 0 is assumed because bank statements were unavailable for the subject entity of this analysis." (p. 452, Exhibit Q, footnote 3).
- "Bank statements were not available for bank accounts associated with Rilend, Makhaon and Yauza-Region." (p. 15, footnote 16).

- "Since I was unable to locate bank statements for bank account(s) associated with Rilend, I was only able to trace a limited amount of outflows from the bank account associated with Rilend subsequent to the initial disbursement of the fraudulently obtained proceeds of the Russian tax refund." (p. 24, footnote 39).

b. Makhaon – Missing Statements:

- "A beginning balance of 0 is assumed because bank statements were unavailable for the subject entity of this analysis." (p. 453, Exhibit Q, footnote 3).
- "Bank statements were not available for bank accounts associated with Rilend, Makhaon and Yauza-Region." (p. 15, footnote 16).
- "Since I was unable to locate bank statements for bank account(s) associated with Makhaon, I was only able to trace a limited amount of outflows from the bank account associated with Makhaon subsequent to the initial disbursement of the fraudulently obtained proceeds of the Russian tax refund." (p. 24, footnote 40).
- "I was unable to locate a Makhaon payment order." (p. 27, footnote 42).

c. Yauza-Region – Missing Statements:

- "A beginning balance of 0 is assumed because bank statements were unavailable for the subject entity of this analysis." (p. 455, Exhibit Q, footnote 3).
- "Bank statements were not available for bank accounts associated with Rilend, Makhaon and Yauza-Region." (p. 15, footnote 16).

d. Inteks-M – Missing Statements:

- "I was unable to locate bank statements for bank account(s) associated with Inteks-M, thus all information relating to Inteks-M was obtained from bank statements associated with Anika." (p. 27, footnote 43).
- "I was unable to locate bank statements for bank account(s) associated with Inteks-M, thus all information relating to Inteks-M was obtained from bank statements associated with Univers." (p. 28, footnote 44).

e. Vermont – Missing Statements:

- "No bank statements were available for bank account(s) associated with Vermont, thus all information relating to Vermont was obtained from payment orders associated with Yauza-Region." (p. 30, footnote 47).
- "I was unable to locate bank statements for bank account(s) associated with Vermont, thus all information relating to Vermont was obtained from bank statements associated with ZhK." (p. 33, footnote 50).

f. ZhK – Obscured Information:

- "A transaction occurring on 1/31/2008 is obscured in the scanned copy of ZhK's Bank Statement. The obscured amount is calculated as an outflow of 35,000,000. This is an estimated amount." (p. 461, Exhibit Q, footnote 3).
- "A transaction occurring on 2/6/2008 is obscured in the scanned copy of ZhK's Bank Statement. The obscured amount is calculated as an outflow of 28,000,000. This is an estimated amount." (p. 461, Exhibit Q, footnote 4).
- "A transaction occurring on 2/7/2008 is obscured in the scanned copy of ZhK's Bank Statement. The obscured amount is calculated as an outflow of 27,720,000. This is an estimated amount." (p. 461, Exhibit Q, footnote 5).
- "A transaction occurring on 2/8/2008 is obscured in the scanned copy of ZhK's Bank Statement. The obscured amount is calculated as an outflow of 30,789,630. This is an estimated amount." (p. 461, Exhibit Q, footnote 6).
- "The date and amount are partially obscured on the bank statement associated with ZhK for Transaction No. 34.3." (p. 52, footnote 88).

g. Aleksii – Missing Statements:

- "I was unable to locate bank statements for bank account(s) associated with Aleksii, thus all information relating to Aleksii was obtained from bank statements associated with ZhK." (p. 33, footnote 51).

- "I was unable to locate bank statements for bank account(s) associated with Aleks, thus all information related to Aleks for this transaction was obtained from bank statements associated with Omega." (p. 53, footnote 90).

h. Optimal – Missing Statements:

- "I was unable to locate bank statements for bank account(s) associated with Optimal, thus all information relating to Optimal was obtained from bank statements associated with Anika." (p. 32, footnote 48).
- "I was unable to locate bank statements for bank account(s) associated with Optimal, thus all information related to Optimal for these transactions was obtained from per bank statements associated with Trial." (p. 54, footnote 91).
- "I was unable to locate bank statements for bank account(s) associated with Optimal, thus all information related to Optimal for this transaction was obtained from per bank statements associated with PromTorg." (p. 54, footnote 92).

i. Krokus – Missing Statements:

- "I was unable to locate bank statements for bank account(s) associated with Krokus, thus all information relating to Krokus was obtained from bank statements associated with Anika." (p. 32, footnote 49).
- "I was unable to locate bank statements for bank account(s) associated with Krokus, thus all information relating to Krokus was obtained from bank statements associated with ZhK." p. 33, footnote 52).
 - Footnote 52 refers to ZhK, when in fact Rollins may have meant to say Komino as ZhK was not a party to the transaction he describes. This appears to be a cut and paste error by Rollins.

j. Komino – Obscured Information:

- "There are three obscured transactions that appear to add up to 625. Therefore, the ending account balance may be 0." (p. 462, Exhibit Q, footnote 3).

k. StarMix – Obscured Information:

- "Two transactions occurring on 2/5/2008 and 2/6/2008 are obscured in the scanned copy of StarMix's Bank Statement and impact the beginning balance. The obscured amounts of these transactions are calculated as two inflows of 3,500,550 and 7,065,140 (respectively). These are estimated amounts." (p. 463, Exhibit Q, footnote 3).
- "A transaction occurring on 2/7/2008 is obscured in the scanned copy of StarMix's Bank Statement. The obscured amount is calculated as an outflow of 24,102,500. This is an estimated amount." (p. 463, Exhibit Q, footnote 4).
- "Two transactions occurring on 2/8/2008 are obscured in the scanned copy of StarMix's Bank Statement. The obscured amounts of these transactions are calculated as one inflow of 4,572,357 and one outflow of 25.00. These are estimated amounts." (p. 463, Exhibit Q, footnote 5).
- "Two transactions occurring on 2/11/2008 are obscured in the scanned copy of StarMix's Bank Statement. The obscured amounts of these transactions are calculated as one inflow of 10,250,545 and one outflow of 47,500,000. These are estimated amounts." (p. 463, Exhibit Q, footnote 6).
- "The date and amount are partially obscured on the bank statement associated with StarMix for Transaction No. 47.3. I was only able to corroborate Transaction Nos. 47.2 and 47.3 with the Alfa-Bank correspondent bank information because the period for which Alfa-Bank was available did not include in these dates." (p. 67, footnote 115).

l. Trial – Obscured Information:

- "Two transactions occurring on 2/6/2008 are obscured in the scanned copy of Trial's Bank Statement. The obscured amounts of these transactions are calculated as two inflows of 1,728,576 and 58,298,578. These are estimated amounts." (p. 465, Exhibit Q, footnote 3).

m. Omega – Obscured Information:

- "Two transactions occurring on 2/4/2008 are obscured in the scanned copy of Omega's Bank Statement. The obscured amounts of these transactions are calculated as two inflows of 10,500,000 and 39,178,200. These are estimated amounts." (p. 464, Exhibit Q, footnote 3).
- "A transaction occurring on 2/5/2008 is obscured in the scanned copy of Omega's Bank Statement. The obscured amount is calculated as an inflow of 6,908,153. This is an estimated amount." (p. 464, Exhibit Q, footnote 4).
- "Two transactions occurring on 2/6/2008 are obscured in the scanned copy of Omega's Bank Statement. The obscured amounts of these transactions are calculated as one inflow of 16,783,600 and one outflow of 1,039. These are estimated amounts." (p. 464, Exhibit Q, footnote 5).
- "Two transactions occurring on 2/7/2008 are obscured in the scanned copy of Omega's Bank Statement. The obscured amounts of these transactions are calculated as two inflows of 6,092,200 and 25,139,500. These are estimated amounts." (p. 464, Exhibit Q, footnote 6).
- "The last noted activity in the account statement is partially obscured in the scanned copy of Omega's Bank Statement. The date of this transaction is fully obscured, but can be determined based on its daily grouping on the statement (assumed to be occurring on 2/8/2008)." (p. 464, Exhibit Q, footnote 7).
- "The date and amount are partially obscured on the bank statement associated with Omega for Transaction No. 43." (p. 56, footnote 93).

n. PromTorg – Obscured Information:

- "Four transactions occurring on 2/8/2008 are obscured in the scanned copy of Promtorg's Bank Statement. The obscured amounts of these transactions are calculated as four inflows of 4,899,888; 8,268,460; 12,699,152; and 28,309,500. These are estimated amounts." (p. 466, Exhibit Q, footnote 3).
- "Four transactions occurring on 2/11/2008 are obscured in the scanned copy of Promtorg's Bank Statement. The obscured amounts of these transactions are calculated as three inflows of 2,800,000; 6,120,600;

19,310,703; and one outflow of 628,148,874. These are estimated amounts." (p. 466, Exhibit Q, footnote 4).

- "The date and amount are partially obscured on the bank statement associated with PromTorg for Transaction Nos. 35.2 and 35.7. The date and amount are partially obscured on the bank statement associated with ZhK for Transaction No. 35.3." (p. 53, footnote 89).
- "The date and amount are partially obscured on the bank statement associated with PromTorg for Transaction No. 46.2." (p. 57, footnote 95).

o. Elenast – Missing Statements / Obscured Information:

- "For obscured item(s), transaction details such as date and/or amount have been imputed based on information preceding and subsequent to the obscured item(s) based on the original source documents." (p. 469, Exhibit Q, footnote 3).
- "I note the transaction records associated with Bunicon and Elenast appear to be extracts of bank financial data. Such documents were limited to the date ranges October 12, 2007 through November 12, 2009 (Bunicon) and February 7, 2008 through June 26, 2008 (Elenast) [US-PREV099372 - US-PREV099384], [US-PREV099373 - USPREV099379]." (p. 67, footnote 114).

p. Bunicon – Missing Statements / Obscured Information:

- "For obscured item(s), transaction details such as date and/or amount have been imputed based on information preceding and subsequent to the obscured item(s) based on the original source documents." (p. 468, Exhibit Q, footnote 3).
- "I note the transaction records associated with Bunicon and Elenast appear to be extracts of bank financial data. Such documents were limited to the date ranges October 12, 2007 through November 12, 2009 (Bunicon) and February 7, 2008 through June 26, 2008 (Elenast) [US-PREV099372 - US-PREV099384], [US-PREV099373 - USPREV099379]." (p. 67, footnote 114).

- "I was only able to corroborate Transaction No. 49.3 with the Alfa-Bank correspondent bank information because the period for which Alfa-Bank was available did not include in this date." (p. 68, footnote 116).

q. Arivust – Missing Statements:

- "I did not identify bank statements associated with Arivust and Aikate in the record to this matter." (p. 5, footnote 4).
- "I was unable to locate bank statements for bank account(s) associated with Arivust, thus all information related to Arivust for these transactions was obtained from bank statements associated with Baikonor." (p. 77, footnote 126).

r. Aikate – Missing Statements:

- "I did not identify bank statements associated with Arivust and Aikate in the record to this matter." (p. 5, footnote 4).
- "I was unable to locate bank statements for bank account(s) associated with Aikate, thus all information related to Aikate for these transactions was obtained from per bank statements associated with Quartell." (p. 78, footnote 127).

C. A Lowest Intermediate Balance analysis should not be completed where bank statements are missing or where information is obscured or illegible

59. As described in Section VI.A. above, a tracing analysis is not possible without detailed bank statements that are accurate and legible. Inexplicably, Rollins actually attempts to prepare LIB analyses for accounts that he doesn't have a bank statement for. For example, Rollins attempts to calculate how funds trace through Rilend without even having the bank statements for Rilend. In other words, he attempts a tracing analysis without any daily activity that would clearly be a prerequisite to any tracing exercise. The very fact that he even included this in his report is enough to question his judgement and his opinions.

60. Not only did Rollins attempt to calculate LIB for accounts with completely missing statements, he also attempted to calculate LIB for accounts with obscured and illegible data. This is nearly as confounding as attempting LIB calculations with missing statements as Rollins himself says that he is estimating information. Estimated information is not accurate information and should not be relied upon.

61. Therefore, not only did Rollins ignore the significant level of unrelated funds passing through the accounts he listed in Exhibit A, but he didn't have reliable records or, in some instances, any records, to calculate an accurate tracing.

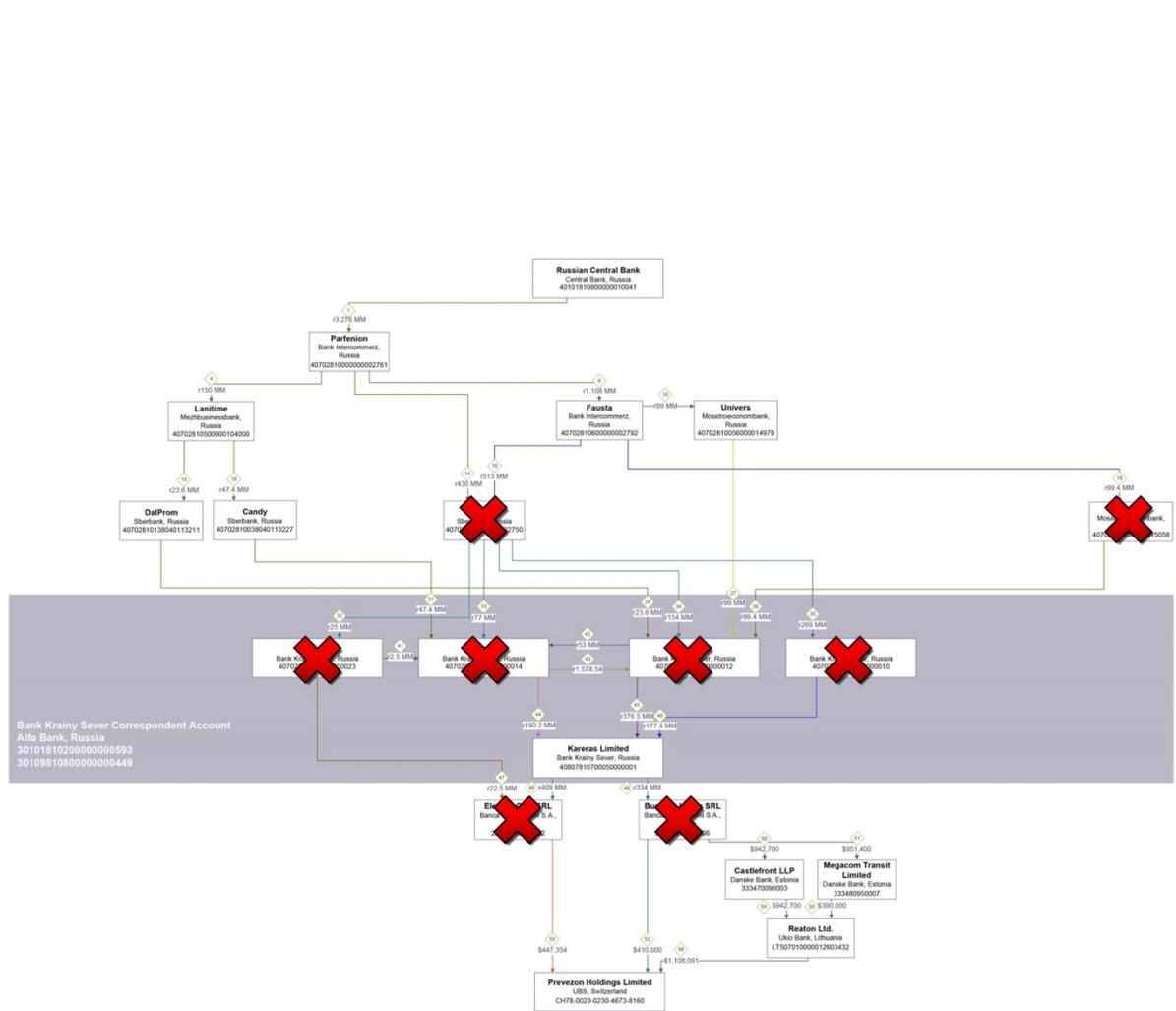
D. Rollins rendered his flow of funds analysis in Exhibit A as unreliable, and thus moot, by introducing a modified presentation in Exhibit C

62. Knowing that Exhibit A is based upon unreliable information, Rollins presented an alternative flow of funds analysis by removing all unreliable information from Exhibit A. He presented this as his Exhibit C.

63. The very fact that Rollins introduced the modified presentation in Exhibit C renders his analysis in Exhibit A as moot since Rollins openly admits that Exhibit A included unreliable or missing source evidence.

E. Exhibit C of the Rollins Report included at least eight accounts that have missing bank statements or are obscured and illegible per Rollins' own admission

64. Not only does Exhibit C of the Rollins Report render Exhibit A moot, but Exhibit C itself is also flawed as it continues to include accounts with missing statements and obscured information (in addition to Rollins' flawed "outflows limited to inflows" methodology he arbitrarily applies in Exhibit C). The diagram below illustrates all of the accounts, 8 in total, that by Rollins' own admission, were either missing or obscured.



65. The following entities have missing or obscured supporting documentation (see above for references that come directly from the Rollins Report identifying these accounts as having missing or obscured bank statements):

- a. ZhK
- b. Komino
- c. StarMix
- d. Trial
- e. Omega
- f. PromTorg
- g. Elenast
- h. Bunicon

66. Therefore, Rollins should not have relied upon these accounts as bank statements were missing or obscured. Without these entities, the analysis in Exhibit C clearly does not support the opinions set forth by Rollins.

VII. Other observations with respect to Rollins' LIB calculations

A. Rollins made false conclusions about his own Lowest Intermediate Balance analysis related to his Level 1-3 bank accounts

67. Not only did Rollins ignore his LIB findings (as discussed in this report, for example, with respect to Castlefront, Megacom and Reaton), but he also provided false conclusions with respect to LIB as well.
68. The Rollins Report states that “[f]or all Level 1-3 bank accounts, the Lowest Intermediate Balance *never dropped below* the beginning balance that existed prior to the first incoming transfer of traceable funds in the Flow of Funds analysis.”¹⁷ This statement is not true even based upon Rollins' own LIB calculations.
69. Exhibit Q of the Rollins Report includes LIB calculations for Level 1-3 bank accounts where the balance does fall below the beginning balance that existed prior to the first incoming transfer. For example, Rollins' own LIB calculation for DalProm includes an opening balance for DalProm of 27,471 rubles. After the purported inflow from Lanitime of 23.6 million rubles and other unrelated inflow and outflow activity, the balance in the DalProm account drops to 8,185 rubles on February 4, 2008. This is before subsequent funds are purportedly sent to PromTorg. Therefore, Rollins' statement is wrong because 8,185 rubles is lower than the beginning balance of 27,471 rubles.
70. As another example, Rollins' own LIB calculation for StarMix includes an opening balance for StarMix of 14.1 million rubles. After the purported inflow from ZhK of 25 million rubles and other unrelated inflow and outflow activity, the balance in the StarMix account drops to 1.6 million rubles on February 8, 2008. This is before subsequent funds are purportedly sent to Elenast. Therefore, Rollins' statement is

¹⁷ Rollins Report, paragraph 195 (emphasis added).

wrong because 1.6 million rubles is lower than the beginning balance of 14.1 million rubles.

71. These errors are important because Rollins' LIB conclusions are wrong. Therefore, his attempt to support his opinions with a recognized tracing methodology such as LIB falls way short because he ignores his findings (in the case above for Castlefront, Megacom and Reaton) and makes false conclusions about his own calculations (for example, in the case of DalProm and StarMix).

B. Unrelated to any transfers to Prevezon, Rollins ignores his own Lowest Intermediate Balance analysis calculations which proves that none of the transfers to Arivust and Aikate were from Russian Treasury sources

72. Table 79 within the Rollins Report also includes Quartell and Baikonur as entities that did not meet Rollins' LIB test. For example, the Baikonur account drops below zero prior to purported subsequent transfers to Arivust. This is evidence that no funds could be tied back to the Russian Treasury. Again, Rollins ignored his own findings and continued to offer his flawed opinions that the funds could be tied to the Russian Treasury. He should not have offered these opinions.

VIII. Signature and right to modify

73. My opinions are based upon information available to me as of the date of this report. It is possible that additional information may affect my opinions herein. I reserve the right, in the event further information becomes available, to modify or supplement my analysis and opinions.

Executed on November 6, 2015 in
New York, NY

A handwritten signature in cursive script, appearing to read "A. Milazzo".

Anthony Milazzo

Index of Exhibits

- A. Curriculum Vitae of Anthony Milazzo
- B. Documents Relied Upon

Milazzo Exhibit A

Anthony Milazzo, CPA, CFE

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CERTIFICATIONS

Certified Public Accountant,
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Certified Fraud Examiner

PROFESSIONAL AFFILIATIONS

American Institute of Certified
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Association of Certified Fraud
Examiners

EDUCATION

B.S., Accounting, Fordham
University

Anthony Milazzo is a senior managing director in the FTI Consulting Forensic and Litigation Consulting practice and is based in New York. Mr. Milazzo has extensive experience in auditing, corporate finance and forensic accounting. He is responsible for leading forensic accounting engagements including internal investigations, disputes and general accounting advisory matters.

Prior to joining FTI Consulting in October 2003, Mr. Milazzo was a manager with KPMG's Forensic Dispute Advisory Services practice. Prior to that, Mr. Milazzo worked in private industry for over three years and served as the corporate controller of a software company that created applications for the commercial real estate market and as the CFO of a start-up dot-com. In both roles, he was responsible for coordinating all financial aspects of the organization, including financing coordination and financial reporting. Prior to that, Mr. Milazzo worked for KPMG in their assurance practice for six years and managed financial statement audits, SEC filing engagements (including three completed public offerings) and other special project engagements for a wide range of clients varying in industry and size.

Professional Experience

Forensic and Litigation Consulting Experience

Investigations — Mr. Milazzo has experience leading forensic accounting investigations. Responsibilities included unraveling complex accounting transactions and advising audit committee members and legal counsel as well as presenting findings to various third parties including the SEC and law enforcement.

Engagement Examples:

- Led a team of FTI Consulting professionals and forensic accountants in connection with the firm's retention by the Receiver in the Michael Kenwood Ponzi scheme. Led all aspects of the investigation including various analyses related to the complex web of cash flows necessary to determine the entities involved in the commingled scheme and for clawback litigation purposes. Coordinated findings with counsel, the SEC, U.S. Attorneys and other government authorities.
- Led certain investigation work in connection with the firm's retention by the court-appointed trustee under SIPA in the liquidation of Bernard L. Madoff Investment Securities. Investigated the commingling of funds between the broker/dealer business and an investment advisory business that was the primary vehicle used to orchestrate the Ponzi scheme. Coordinated findings with counsel, the SEC and other government authorities.

Anthony Milazzo

- Led investigation in connection with a Receivership of an ATM company. Led the forensic accounting analysis work, assisted with the drafting of a report issued by the Receiver and coordinated efforts with government authorities.
- Led an investigation related to an SEC enforcement action of a publicly traded electronics distributor. The issues primarily related to the interaction between the distributor and one of its suppliers which had previously admitted to accounting irregularities including channel stuffing and other right of return issues. Communicated all findings to the audit committee of the distributor, counsel and the SEC.

Disputes — Mr. Milazzo provides litigation support in cases with accounting disputes. Responsibilities included accounting research, expert report drafting, and advisory services to counsel.

Engagement Examples:

- Testified in a criminal matter related to a previous channel stuffing investigation and was deposed in a related SEC matter. Worked closely with assistant U.S. Attorneys in assembly of voluminous trial exhibits/support and in trial preparation.
- Managed an accounting malpractice litigation matter in defense of a top tier public accounting firm related to its audit of a publicly traded telecommunications company including taking the lead on key technical accounting issues including revenue recognition of certain complex transactions.
- Managed a litigation matter on behalf of a large financial institution related to services it provided to Worldcom including taking the lead on all significant accounting issues including expense capitalization and revenue recognition allegations and was instrumental in report drafting and deposition preparation.
- Managed the arbitration process for a division of a global conglomerate that was involved in an acquisition purchase price dispute including taking the lead on the largest dispute items that involved inventory valuation.

Accounting Advisory — Mr. Milazzo provides technical accounting advice on a variety of GAAP, GAAS, and SEC matters.

Engagement Examples:

- Provided GAAP and GAAS guidance related to a bankruptcy matter expert report that required nuanced research into intercompany transactions in the context of stand-alone financial statements.
- Advised clients of a hedge fund that was being liquidated as the result of a fraud. Analyzed the Receiver's findings, coordinated document discovery with the Receiver and collaborated with counsel on matters of equitable distribution. Coordinated all efforts including complex model calculations and the issuance of a report attached to counsel's formal distribution proposal.
- Provided guidance to a publicly traded pharmaceutical company related to SEC filing restatements including taking responsibility for drafting restated filings and responding to SEC inquiries. Drafted white-papers on technical accounting issues, worked with management and external auditors on restatement analyses, and took on special projects with Sarbanes-Oxley implications.
- Drafted an accounting white-paper related to the revenue recognition practices of a publicly traded pharmaceutical company. Worked closely with Company management to develop a sell-through model that worked effectively with reports received from third parties. Presented and explained the components of the model to the audit firm of the Company.

Anthony Milazzo

Deposition and Testimony Experience

- Deposition, October 12, 2011, *SEC v. Vitesse Semiconductor Corporation, et al*
- Testimony, April 5, 2012, *USA v. Tomasetta, et al*, U.S. District Court, Southern District of New York
- Testimony, February 7, 2013, *USA v. Tomasetta, et al*, U.S. District Court, Southern District of New York

Milazzo Exhibit B

Exhibit B

Documents Relied Upon

Transaction Records:

US-PREV161076 -- US-PREV161100
US-PREV167985 -- US-PREV168292
US-PREV099372 -- US-PREV099398
US-PREV133048 -- US-PREV133060
US-PREV127103 -- US-PREV127198
US-PREV133066 -- US-PREV133084
US-PREV099373 -- US-PREV099379
US-PREV099393
US-PREV150661 -- US-PREV150665
US-PREV140778 -- US-PREV140786
US-PREV150676 -- US-PREV150681
US-PREV134068 -- US-PREV134069
US-PREV132104 -- US-PREV132278
US-PREV171806 -- US-PREV171828
US-PREV140723 -- US-PREV140735
US-PREV157511 -- US-PREV157515
US-PREV170113 -- US-PREV170616
US-PREV140704 -- US-PREV140721
US-PREV168385 -- US-PREV168522
US-PREV117701 -- US-PREV117701
US-PREV139138 -- US-PREV139168
US-PREV140737 -- US-PREV140748
US-PREV140759 -- US-PREV140777
US-PREV150682 -- US-PREV150683
US-PREV162964 -- US-PREV162970
US-PREV093220 -- US-PREV093281
US-PREV084816 -- US-PREV093219
US-PREV141336 -- US-PREV141387
US-PREV141478 -- US-PREV141522
US-PREV141599 -- US-PREV141639
US-PREV141660 -- US-PREV141697
US-PREV141734 -- US-PREV141782

Other Sources:

- Expert Report of John E. Rollins, September 29, 2015
- Deposition of Nikolai Gorokhov, October 1-2, 2015
- Amended Verified Complaint, November 5, 2014
- AFI Europe Memorandum, December 29, 2009 (PREV0008257)
- Share Purchase Agreement between AFI Europe N.V. and Prevezon Holdings Ltd., May 21, 2008 (PREV0008258- PREV0008264)
- Amended Protective Order, November 5, 2014
- Asset Tracing & Recovery: The FraudNet World Compendium, Bernd H. Klose
- AIPCA Professional Standards, AU-C Section 500, Audit evidence
- AICPA Professional Standards, AU-C Section 705, Modifications to the opinion in the independent auditor's report
- www.oanda.com