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Timchenko Lobbies for U.S. Funding

By The Moscow Times

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Timchenko, seen here with his daughter, employed law firm Patton Boggs to further his interests in Washington. **Ekaterina Kuzmina**

NEW YORK/ATLANTA — Billionaire businessman Gennady Timchenko, a long-time associate of President Vladimir Putin, plans to seek U.S. government-backed funding to buy luxury aircraft.

To smooth the path for financial backing from the U.S. Export-Import Bank and allay possible U.S. government concerns about him, Timchenko hired lobbyists from powerhouse Washington law firm Patton Boggs, according to e-mails and documents seen the media.

Timchenko plans to ask Ex-Im Bank for a loan guarantee to buy as many as 11 aircraft from Gulfstream Aerospace of Savannah, Georgia, according to one U.S. official who spoke to his lobbyists, though the scope of the potential deal remains unclear.

Timchenko is one of Russia's richest tycoons, the billionaire business barons who emerged following the fall of the Soviet Union, some of whom enjoy close ties to Putin. The plane order

would bolster the fleet of Timchenko's Finland-based luxury jet charterer, Airfix Aviation Oy, whose aircraft have reportedly transported Kremlin-linked businessmen and Russian government officials.

Patton Boggs acknowledged its work on Timchenko's behalf. It said it has held preliminary talks with Ex-Im Bank, officials from two Senate offices and a U.S. congressional policy advisor, without naming the officials. The firm said the talks with Ex-Im Bank involved a loan guarantee for a single jet that Airfix has already ordered.

"These discussions were preliminary," said Patton Boggs partner Joseph Brand in an e-mail.

The quest for U.S. government-backed funding is perfectly legal but comes as subsidiaries of Timchenko's flagship firm, global commodities trader Gunvor Group, are under investigation by the U.S. Department of Justice. Gunvor said in May that the investigation related to oil trading activities but has not provided further details. The Department of Justice would not comment.

A U.S. official, who spoke on condition of anonymity, said Patton Boggs partners told him in May that Airfix would seek Ex-Im Bank backing to buy 11 Gulfstream jets. An order of that size could carry a list value of anywhere between $173 million and $710 million, based on the catalogue prices of Gulfstream planes. The jets range from $15.7 million to $64.5 million apiece.

Any future Ex-Im Bank deal for Timchenko or his firms would require him to pass a detailed vetting process the bank carries out on potential customers, which can include sharing information with several U.S. government agencies.

"We represent one of Gennady Timchenko's companies, Airfix Aviation," Patton Boggs partner Laurence Harris wrote in a May e-mail in which he requested a meeting with the U.S. government official. "We know you have concerns about Gennady. We'd like to talk to you about this."

Patton Boggs later met with the U.S. official, and the lobbyists sought to address what they said were "unfounded allegations" about Timchenko, including that he was part of a cadre of businessmen who potentially benefit from close ties to Putin.

Ex-Im Bank spokesman Phil Cogan said the bank had not yet received a formal application from Timchenko and could not comment on talks with potential borrowers. Gulfstream, a unit of General Dynamics, declined to comment.

Anton Kurevin, a spokesman for Timchenko's Moscow-based holding company Volga Resources, confirmed that Timchenko plans to seek a loan guarantee from Ex-Im Bank.

Timchenko, who owns 44 percent of Gunvor, has seen his wealth multiply over the past decade after Gunvor captured deals to market crude exports from state-run Russian energy firms. He now has a fortune estimated by Forbes at $14.1 billion.

The Russian billionaire declined to be interviewed but has consistently denied claims that his relationship with Putin has led to any benefits for his businesses.

"To connect my success to the fact that I know [Putin] is nonsense," Timchenko told Swiss newspaper Neue Zurcher Zeitung in April.

Timchenko has known Putin since at least 1990, he told the paper. The two belong to the same judo club and geographic society and share an interest in hockey, occasionally playing together, Timchenko added in the newspaper interview, which Gunvor reprinted on its website.

Up in the Air

Helsinki-based Airfix lists a fleet of 14 aircraft for charter, including five French-made Dassault Falcon aircraft.

Airfix also operates Gulfstreams, including a top-of-the-line G650. That eight-passenger jet is billed as the world's fastest civilian aircraft and boasts a 11,250-kilometer range. On its web site, the firm offers "carefree premium travel" on jets stocked with "fine wines." In 2011, Novaya Gazeta reported that top officials and state-run companies have used its services.

Now, the firm wants to renew its fleet. "On the instruction of our client, Patton Boggs has held preliminary discussions with the Export-Import Bank to provide assistance in financing Airfix's purchase of U.S.-made Gulfstream aircraft to replace Airfix's existing inventory of French-made aircraft," Joseph Brand, a Patton Boggs partner, said in an e-mail response to questions last month.

So far, Brand said, Patton Boggs has only held preliminary talks with Ex-Im Bank about a credit guarantee to help Airfix buy a single Gulfstream scheduled for delivery in 2016. Timchenko would secure a private bank loan and then apply for guarantees of the repayment from Ex-Im Bank for a fee, according to Brand.

Additional e-mails show that the lobbyists' work on behalf of Timchenko dates to at least August 2011 and predates the talks with Ex-Im Bank.

In April 2011, prosecutors from the Eastern District of New York issued subpoenas to employees at two Gunvor subsidiaries — U.S.-based Castor Americas, and Swiss-based Gunvor SA — "related to oil trading activities," according to a Gunvor bond prospectus earlier this year.

"Gunvor has cooperated with [the Department of Justice] in the investigation through our voluntary production of documents and other information," said Seth Pietras, a Geneva-based company spokesman. Patton Boggs has not worked for Gunvor itself, Pietras said.

A spokesman for the Eastern District of New York declined to comment on the case.

Ex-Im Bank carries out what it describes as in-depth due diligence on foreign buyers. The process can include working with U.S. law enforcement to conduct a background check and analysis of commercial or legal concerns.

James Harmon, a former Ex-Im Bank chairman, said the bank probably would not have a problem funding "a Russian oligarch with ties to Putin," as long as he was creditworthy. But a U.S. investigation into Timchenko-linked companies that implicated Timchenko might

complicate matters, he said. "Ex-Im would consider any findings by the [Justice Department]," Harmon said.

If Timchenko's company passed Ex-Im Bank's vetting, it would enable the oligarch to point to a form of U.S. government approval. The bank, a federal credit agency, promotes exports by backing foreign buyers with "the full faith and credit of the U.S. government," according to its website. It loaned or guaranteed funding of around $38.5 billion last year, including $600 million for business jets and helicopters.

Ex-Im Bank costs taxpayers nothing, spokesman Cogan said, and has paid dividends to the U.S. Treasury of $1.6 billion since 2008. Nonetheless, several Republican members of the U.S. Congress have sought to dissolve the bank, and have said its activities constitute "corporate welfare."

Rapid Rise

Timchenko formed Gunvor with a Swedish partner in 1999. The firm is now the world's fourth largest oil trader.

An information sheet the lobbying firm prepared describes him as "a global investor, who seeks to further invest in the United States — investments that could increase U.S. exports and U.S. jobs."

Gunvor ships oil and fuels to U.S. customers, trades on U.S. commodity exchanges, and owns coal-mining interests in Montana.

In the information sheet, the lobbyists added: "Mr. Timchenko has found himself at the receiving end of unfounded allegations that have triggered caution on his part in further investments in the United States."

Timchenko hired Patton Boggs through Ivanyan & Partners, a law firm in Moscow that represents the billionaire, said Brand in an e-mail. Ivanyan & Partners paid Patton Boggs $50,000 last quarter for lobbying in the U.S. Senate, according to a July 21 record submitted to Congress.

E-mails and meeting notes viewed by reporters show at least three top Patton Boggs partners and registered lobbyists — Laurence Harris, Nick Allard and Joseph Brand — worked to promote Timchenko's businesses. Harris and Allard did not respond to requests for comment.

Spokesman Pietras said Gunvor is striving to show transparency, citing the firm's 359-page prospectus for its first-ever corporate-bond sale as an example. In May, Gunvor sold bonds worth $500 million amid robust demand from private banks. This week, Gunvor announced a 225 million-euro ($299 million) financing deal with GE Capital.

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