

Manafort Sued by Russian Billionaire Deripaska Over TV Deal

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Oleg Deripaska (Sergei Savostyanov / TASS)

(Bloomberg) — President Donald Trump’s former campaign manager Paul Manafort was sued by a company tied to Russian billionaire Oleg Deripaska, who claims he was defrauded after giving \$18.9 million to Manafort to invest in a Ukrainian cable television venture.

The suit, filed Wednesday in New York state court by Deripaska’s Surf Horizon Ltd., claims Manafort and his former associate, Rick Gates, used the invested funds as “their personal piggy banks,” moving funds in and out “without any apparent business reason.”

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Deripaska previously sued in courts in Virginia and the Cayman Islands. The latest fraud case relies in part on allegations in a U.S. money-laundering indictment against Manafort and Gates, brought on Oct. 27 by Special Counsel Robert Mueller.

Surf seeks compensatory damages of at least \$1.75 million, as well as punitive damages of \$25 million, for alleged “gross negligence, blatant disloyalty and rapacious self-dealing” by Manafort and Gates.

Manafort spokesman Jason Maloni said the suit was a surprise.

"This is a commercial matter, which we thought had been addressed and resolved years ago," Maloni said. "We will respond, if we must do so, in the appropriate manner."

Gates attorney Shanlon Wu didn't immediately respond to a request seeking comment.

Manafort and Gates are accused in the U.S. indictment of failing to register as agents in the U.S. for political consulting they did for Ukraine and pro-Russian politicians.

The indictment also accused them of conspiring to launder millions of dollars and hiding offshore bank accounts. Manafort laundered money from overseas to buy houses, cars, clothes, antiques and landscaping services, the U.S. said. Both men pleaded not guilty.

“The dealings of Manafort and Gates with Surf mirror the pattern of corporate dealings alleged in the indictment,” according to the complaint.

Surf's lawsuit provided fresh details on the failed attempt by a private-equity fund led by Manafort to buy the Ukrainian cable network, using money that Deripaska invested in 2007 and 2008. In later litigation, Manafort and Gates withheld key details of the arrangements and lied in sworn depositions, according to the complaint.

Manafort and Gates formed a partnership called Pericles Emerging Market Partners LP, based in the Cayman Islands, to invest in businesses in Eastern Europe. Their first and only deal was a cable and Internet company based in the Ukrainian port city of Odessa called Black Sea Cable.

Surf put in \$18.9 million for the purchase, and it paid Manafort \$7.35 million in management fees, according to court records. The structure of the transaction was opaque, and money flowed through a web of companies in tax havens such as the Caymans and Cyprus.

Court filings haven't made clear who ended up owning the company or what happened to the money.

After a Surf affiliate, Adoptol Ltd., filed a legal proceeding in May 2017 in Cyprus, it obtained partnership records. They revealed that “Manafort and Gates had withheld the true status of the partnership investment and lied under oath in the depositions,” the complaint said.

“The records of the partnership and its related entities that were obtained in May 2017 provided proof for the first time that Manafort and Gates had defrauded Surf,” it said.

Those records showed that of the \$18.9 million that Surf invested, about \$500,000 went to Manafort's firm, Davis & Manafort, and about \$425,000 went to Gates.

“This was the first time that Surf had proof that Manafort and Gates had breached their fiduciary duty and defrauded it by self-dealing,” according to the complaint.

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