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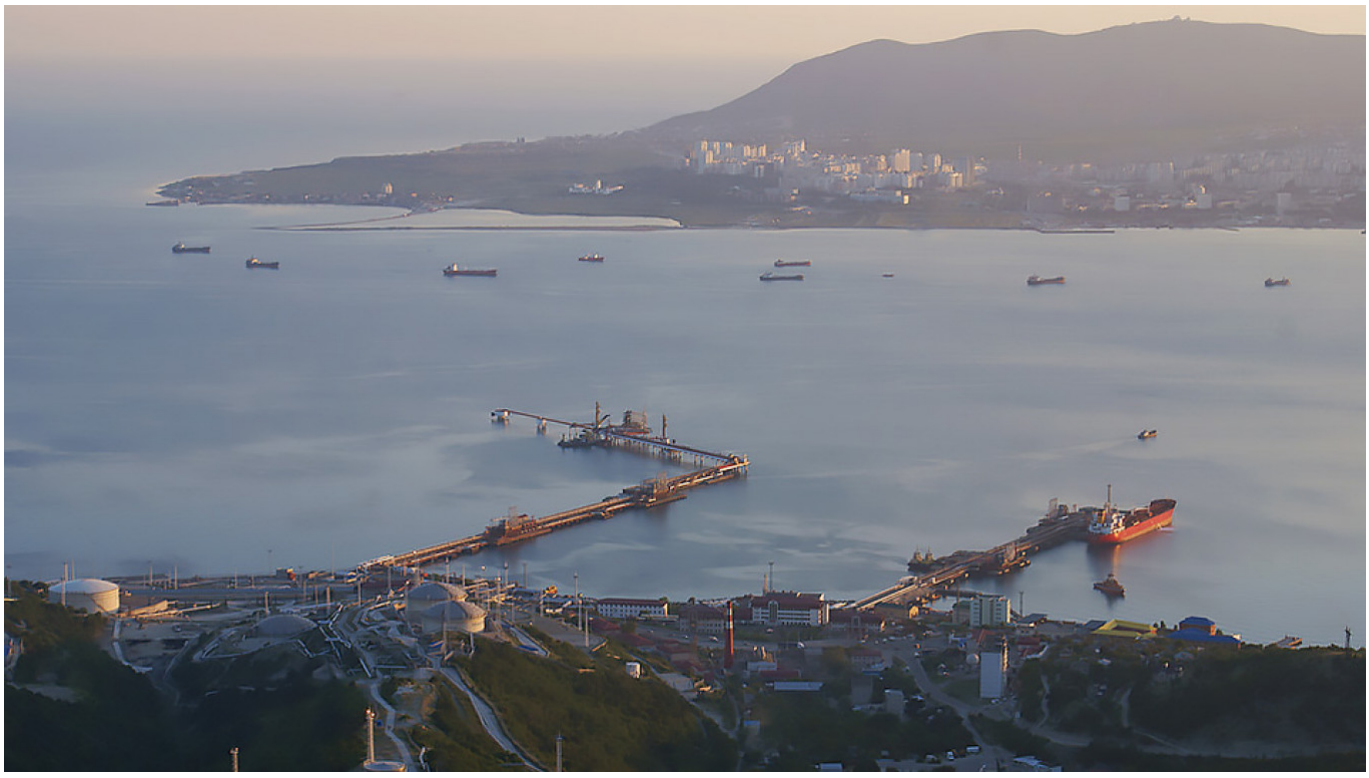
An Oligarch, His Mistress and Courts in Krasnodar

How Russia's wealthy are taking advantage of the country's legal system by shifting their court cases to a southern region.

By Evan Gershkovich

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Step 1: Fudge your tax returns. Step 2: Move your lawsuit to the south. Step 3: Sit back and watch the court rubber stamp your case.



Novorossiysk, a Black Sea port city in the Krasnodar region, has become a hotbed for wealthy Russians and their lawsuits. **Ilya Dobrioglo / Flickr (CC BY NC-ND 2.0)**

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In a world of oligarchs, Igor Zyuzin was once one of the richest. As businessmen raced to get their hands on Russia's assets in the mid-1990s after the fall of the Soviet Union, Zyuzin built a nationwide coal conglomerate. His company, Mechel, later also invested in metals.

Although the moves made him a billionaire, he didn't last in the category long.

In 2008, allegations surfaced that Mechel was selling at double the price at home than abroad, and a public scolding by then-Prime Minister Vladimir Putin sent the company's stocks plummeting. While Zyuzin's net worth, according to Forbes Russia, was $8.9 billion in 2011 — earning him 16th place in the outlet's rankings of Russia's wealthiest businessmen — just two years later, the outlet named him the country's "poorest oligarch."

Poor, however, is a relative term among oligarchs — as Zyuzin's former mistress attests. Yelena Volkova, now entangled in a complex legal battle with Zyuzin, with whom she split up in 2017, says the ups and downs in Mechel's fortunes over the 15 years the couple spent together had no noticeable effect on their lavish lifestyle. Forbes last year estimated Zyuzin's wealth at $500 million, keeping him within the outlet's rankings of Russia's top 200 businessmen in 193rd place.

In court, however, Zyuzin's lawyers have argued that his financial state is strained and that he cannot afford more than 50,000 rubles ($754) in monthly alimony payments to Volkova for their 10-year-old son.

The claim stretches belief, argues Volkova's lawyer Nadezhda Popova. "It is absolutely clear that a man with this big of a company and this much money can pay more than that," she says.

Yet, while claiming to only be able to pay so much in alimony checks, Zyuzin has also demanded that Volkova return him upward of $500,000 that he says he loaned her between 2013 and 2017.

Curiously, Zyuzin filed suit over the alleged loan in a court in Krasnodar — a southern region known as Russia's grain capital, but where neither Zyuzin nor his mistress have ever lived, and where the coal that made him rich is nowhere to be found.

Zyuzin, though, is not the only wealthy Russian to fight his legal battle far from Moscow. A Moscow Times investigation of recent court cases reveals a common pattern: Russia's wealthy and powerful are exploiting a simple but effective legal scheme, involving swapping courts and getting their lawsuits in front of friendly judges in the country's south.

Cash, gold and diamonds

When Zyuzin and Volkova met in 2002, the businessman was approaching the peak of his wealth. At the time, Volkova, then 28, was working as a waitress at a Moscow nightclub. She had a daughter from a recently ended marriage, and Zyuzin himself was married with two kids.

The relationship they struck up was one typical of the Russians who became astronomically wealthy in the '90s. Within weeks after meeting, the businessman had purchased a mansion in Rublyovka — an elite suburb outside Moscow home to Putin and popular with businessmen and government officials — and an apartment on Kutuzovsky Prospekt, one of the capital's main arteries. Although the properties weren't registered in Volkova's name, she soon moved in to both residences.

"*I started putting them in the refrigerator or would stick them in shoes.*"

Zyuzin spent almost all of his free time with Volkova, she says, despite remaining married. "He told me to quit my job," Volkova, now 45, said on a recent evening in her lawyer's lean basement office in central Moscow. "He said he'd provide for me and that I'd never have to work again."

For a long time, Volkova, who that evening looked tired, dressed in a matching grey sweatshirt and sweatpants, didn't have to. Zyuzin gave her so many stacks of cash — rubles, dollars, euros, pounds, francs — that she ran out of places to store them. "I started putting them in the refrigerator or would stick them in shoes," Volkova says.

He also bought her heaps of jewelry. Once, when walking along Bahnhofstrasse, Zurich's main shopping street, Volkova spotted a Bulgari set in a window display. Zyuzin purchased it without hesitation. The necklace, ring, bracelet and earrings, crafted out of white gold and diamonds, were worth £615,000 ($800,541), Volkova attests.

But the relationship first hit speed bumps in the summer of 2008, just several months after Volkova got pregnant, when Putin summoned Zyuzin to a meeting over Mechel's prices. Zyuzin claimed he couldn't attend because he was ill. "We'll have to send him a doctor to clear up all these problems," a furious Putin said during the televised meeting.

The couple's son, Yegor, was born in January 2009, just as Zyuzin's business troubles came into full swing: The 2008 worldwide financial crisis had hit soon after Putin's reprimand and Mechel's subsequent stock fallout. Volkova says Zyuzin proved a mostly absent father, distracted by the turbulence at work. "But at no point did I feel a difference in my pocket," she says.

Recounting that she wanted a more present father figure for Yegor, she says she began to threaten that she would leave, and the relationship, in turn, soured.

On a late June evening in 2017, Zyuzin's head of security — who also sits on Mechel's board of directors — and his deputy showed up at the Rublyovka house. In a police complaint, Volkova alleges they tossed her belongings outside in a pile before setting them on fire. She also soon found that Zyuzin had locked her out of the apartment on Kutuzovsky Prospekt.

Back to earth

Several weeks later, the couple reached a legal agreement on the alimony payments of 50,000 rubles per month. Volkova now says she only agreed to the sum because she still had 33.2 million rubles ($500,470) in her bank account that she thought she would use to support her son.

But there was one hitch: The account — opened in her name — is held in Uglemetbank, owned partially by Zyuzin, two of Mechel's subsidiaries and a third company divided equally in ownership between Zyuzin's wife and their two children.

Volkova was soon blocked from accessing the account. In a letter dated July 6, 2017 that was

reviewed by The Moscow Times, the bank's deputy chairman wrote to her that, in the interest of following Russia's anti-money laundering and terrorism financing laws, the bank would need proof of the money's source.

Because Volkova is entitled to 25 percent of Zyuzin's earnings by Russian law, she decided to file suit in a Moscow court seeking alimony payments larger than 50,000 rubles per month. To her surprise, Zyuzin argued that the sum indeed amounted to 25 percent of his earnings.

His defense team did so by presenting tax filings for 2017 and the first seven months of 2018, copies of which were obtained by The Moscow Times, that placed him in Russia's bottom brackets.

According to the 2018 company tax filings, Zyuzin earned an average of 226,281 rubles ($3,411) per month.

The personal tax filings for 2017 showed considerably less: Zyuzin, according to the forms, earned a mere 19,640 rubles ($296) over the entire year.

Tax experts told The Moscow Times that there are several possible explanations for the discrepancy between Zyuzin's alleged spending and his income declarations.

Shown Zyuzin's tax filings with his personal details redacted, Vadim Zasko, the director of the Higher School of Economics' Institute of Tax Management and Real Estate Economics, said that Russians often have their real earnings paid out to subordinates.

"That way you make it seem like you have nothing if you get a divorce or if law enforcement agencies become interested in your company," Zasko said. "There are a million cases like this. Any smart person in Russia does this."

("Even I do the same thing," said another tax expert who asked to remain anonymous.)

Another explanation for the discrepancy, Zasko said, is that companies like Mechel have dozens of subsidiaries. In such cases, the Federal Tax Service struggles to consolidate all relevant information, making it less risky for individuals to file information simply for one subsidiary, even if they earn money from more.

Related article: 3 Takeaways From The Moscow Times' Investigation Into Krasnodar's Shady Courts

And as for the minuscule claim for 2017, Zyuzin may have lived simply off his dividends, Zasko added.

In court, Zyuzin's defense team had claimed that Mechel didn't pay him any dividends that year. But according to the company's public records, dividends from preferred shares, or 25 percent of the company's total, were actually paid out — 40 percent of which went to a subsidiary in Cyprus called Skyblock Limited, wholly owned by Mechel.

Asked if Zyuzin, a 50.1 percent majority shareholder in Mechel according to the company's website, could be using Skyblock Limited to pay himself an income off Russian tax books,

Denis Primakov, the former chief lawyer at Transparency International Russia who is now with the Russian law firm Pen & Paper, said, "Of course. That is exactly why companies like this exist."

"And while legally this money in Cyprus isn't his," Primakov continued, "in practice, it is."

Zyuzin did not respond to requests for comment for this article.

For Volkova, though, the real gut punch landed in March of last year, when a court in the Krasnodar region ruled that the $500,000-plus that Zyuzin gave her was actually a loan — not financial support for a stay-at-home mother and the couple's child — and is rightfully Zyuzin's.

Between those funds, the fire and the apartment lockout, Volkova estimates her losses at approximately $4.5 million. Now, she lives in a humble apartment on the outskirts of Moscow, where she home-schools Yegor. She says she relies on Zyuzin's alimony payments — which are transferred to a new account she opened in a different bank — plus 38,000 rubles ($573) per month from her daughter's full-time job.

For a family used to luxury, the fall back to earth didn't greet them with a soft landing. "Yegor used to spend half the year in the fresh air of the Swiss Alps," Volkova says. "The change in lifestyle has been hard on him."

Swapping courts

Along the coast of the Black Sea, some 1,500 kilometers south of Moscow, lies the Krasnodar region port city of Novorossiysk. Known mainly for grain export, it's at first glance an unexpected place for Zyuzin to have filed suit in January 2018, seeking the funds in Volkova's bank account.

That's because in Russia, cases are heard in the city where the defendant is registered. And because Volkova is registered in Moscow, Zyuzin had to turn up a second defendant based in Novorossiysk to be able to move the case.

As it happens, one landed in Zyuzin's lap: a certain Vladimir Gladky, who is registered in the coastal city.

In a letter dated Feb. 1, 2017 that Zyuzin's defense team included in the suit, a copy of which was reviewed by The Moscow Times, Gladky wrote to Zyuzin that he was prepared to act as a guarantor — a person who agrees to repay a borrower's debt if the borrower cannot — for Volkova.

Nowhere in the letter does Gladky state if — or how — he knows her. Volkova says she has never met Gladky. "Anyone could have written this letter," Popova argues.

The letter provided Zyuzin with a co-defendant for his lawsuit — specifically one registered in Novorossiysk, allowing the businessman to sue in the city's Oktyabrsky district court.

That the suit should have been heard there and not Moscow, however, is questionable, Popova argues. "Volkova hasn't even been able to afford to fly down there for the hearings," she

explains.

Conveniently, Gladky also included in his letter an expiration date for his guarantee of Volkova's loan: Dec. 31, 2017 — less than one month before Zyuzin filed suit — thereby ensuring he himself wouldn't be liable for a loan repayment if the court ruled in Zyuzin's favor.

In March 2018, when the Novorossiysk court ruled that Zyuzin was owed the full sum, Gladky's guarantee had already expired, leaving the debt squarely on Volkova's shoulders.

Out of thin air

When Moscow antique shop owner Tatiana Khochinskaya heard of the case, she immediately recognized her own predicament. "Just like in that case, random citizens from Krasnodar suddenly appeared," said Khochinskaya, seated at a redwood table at her shop, Bogema, on a recent evening.

The shop, on Novy Arbat across from Moscow's White House — the seat of Russia's government — sits below an apartment owned by Anna Levitanskaya, the wife of Andrei Komarov. Forbes ranks him as Russia's 121st-richest businessman, estimating his wealth at $900 million.

In March 2016, Khochinskaya's shop — stocked with furniture, interior decor and paintings — flooded with boiling water that had leaked down from Levitanskaya's apartment above, destroying 42.6 million rubles ($642,170) worth of items, according to the Moscow-based valuation firm Citadel-Expert.

Khochinskaya sued Levitanskaya for compensation in Moscow — where both defendant and plaintiff were registered — winning the case and two subsequent appeals.

But Levitanskaya didn't quit. She hired the same Moscow-based law firm that represents Zyuzin, Rustam Kurmayev & Partners, and filed suit against Bogema in the same Novorossiysk district court in March 2018, according to court documents reviewed by The Moscow Times.

Once again, a local co-defendant was conjured up: Six weeks before Levitanskaya filed suit, a certain Albert Puzyryov had registered in the port city.

Although Levitanskaya hadn't mentioned Puzyryov in any of the Moscow court hearings, she now claimed that he had been in her apartment at the time of the leak, and was thus at fault for the damages. In a bizarre twist, Levitanskaya said Bogema owed her the damaged items that she had in effect paid for and that Puzyryov owed her their worth.

(According to Federal Penitentiary Service documents reviewed by The Moscow Times, Puzyryov had actually been in the city of Anapa, an hour's drive along the coast from Novorossiysk. At the time, he was serving out the last months of a three-year sentence for crashing his Range Rover SUV while intoxicated, resulting in the death of a passenger. Curiously, Puzyryov has also shown up in the Zyuzin case: In September, Zyuzin's legal team asked a judge to have Volkova pay her debts to a small company Puzyryov owns.)

Moreover, Levitanskaya hadn't actually paid Bogema. Instead, she sent the money to a notary, claiming in the Novorossiysk court that she didn't have Bogema's bank information. The court put a hold on that sum as well as on the Bogema business account, which Khochinskaya says contains some 700,000 euros ($786,764).

In court, Bogema's defense team explained that Levitanskaya's plan had a flaw: The shop sells items for third-party clients. "I don't own any of the items I sell so I couldn't give them to her," Khochinskaya says. "They belong to my clients."

"*There's not a whiff of the law in either of these cases.*"

Meanwhile, Levitanskaya also filed a legal claim, this time in an Anapa court, arguing that the payment to the notary had fulfilled her obligations to Bogema. To file the claim in Anapa she had to find yet another co-defendant: this time a certain Vasily Neverov, registered in the city, who wrote her a letter guaranteeing Puzyryov's debts to Levitanskaya.

The Anapa court ruled in Levitanskaya's favor, a decision her legal team then presented in Novorossiysk's Oktyabrsky court. The court, in turn, ruled that Bogema owed Levitanskaya the worth of the items as she couldn't hand them over. For his part, Puzyryov was freed from his responsibilities on the basis that he wasn't the apartment's owner.

"By creating complex schemes and legislative labyrinths," says Bogema's Krasnodar-based representative Anna Khmiadashvili, "Ms. Levitanskaya's legal team is likely trying to rewrite the law."

Levitanskaya did not respond to requests for comment for this article.

With an appeal in process, Bogema still doesn't have access to its business account. Khochinskaya says she hasn't paid rent for the shop in months and worries it will soon be evicted.

Go south, young man

"Holy crap," says Alkhas Abgadzhava, a Moscow-based lawyer who has represented clients against powerful interests and is affiliated with the "Russia Behind Bars" civil rights movement after reviewing the two legal cases. "There's not a whiff of the law in either of these cases."

Both, he says, are clearly within Moscow's jurisdiction and should never have been heard by a Krasnodar court. That the suits had been shifted south, however, did not come to him as a surprise. "Krasnodar has become a meme for us," Abgadzhava says.

A Krasnodar-based lawyer who spoke to The Moscow Times noted that a number of ongoing cases follow a mirror plot line. One of these schemes was even attempted against the regional office of Kronospan, a multinational, European manufacturing company, in the Urals city of Ufa, as the Kommersant daily reported in January.

"Without a letter from some resident of Novorossiysk saying he will be a guarantor and providing the case a co-defendant," says Askar Mingazetdinov, an Ufa-based lawyer who represents Kronospan, "they would never have been able to move the case there. They would have had to sue in Ufa."

There was one more similarity to the Zyuzin and Levitanskaya cases: The plaintiff was represented by Rustam Kurmayev & Partners. Lately, the law firm has been in the news for a more high-profile case: It is currently representing Michael Calvey, Vagan Abgaryan and Ivan Zyuzin of the private equity fund Baring Vostok against fraud charges.

Rustam Kurmayev & Partners did not respond to multiple requests for comment for this article.

"Our country is corrupt everywhere, but the south has always been more so," Abgadzhava says. "It is in the unique position of being far from the center while also having a lot of money passing through it. And the judges there, to be honest, have lined pockets."

He noted one Krasnodar judge who came under fire after throwing a $2 million wedding party in summer 2017. The previous year, the judge had declared a salary of 2,641,000 rubles ($39,812).

Ultimately, Abgadzhava says the cases are disturbing because through them "the court is essentially legalizing fairly criminal schemes."

"Our courts, especially there, have become instruments of the powerful and of *siloviki*" — officials with ties to law enforcement — "and I would include oligarchs in this group," Abgadzhava says.

Differing fortunes

In what she calls a fit of desperation, Volkova in January went on Andrei Malakhov's popular Rossia-1 talk show, hoping to attract attention to her ordeal.

On the state-television broadcast, she described efforts by Zyuzin to keep her from finding stable employment and she outlined how his security guards follow her and threaten her over the phone.

But things have only gotten worse since the show aired, she says: The threats have kept coming and her son's hair has begun to fall out from the stress. "I don't sleep and I'm scared to leave my apartment," she said by phone recently.

In a later call, she said that at least the television appearance had maybe caused some trouble for Zyuzin. She noted that, as the Vedomosti business daily reported late last month, Zyuzin may be forced to sell his largest investment project, in Siberia.

Asked if anyone had put her up to telling her story in an effort to tarnish his image, Volkova denied the suggestion. "I think the decision to allow me on television came from the top," she countered. "Zyuzin told me in 2013 and 2014 that Putin wanted to take his companies from him."

If Putin did have it out for Zyuzin back then, the desire may have changed just a couple of years later.

While Mechel and its subsidiaries have struggled since 2008 to pay off debts, in 2016, three major banks bailed out the company on the Kremlin's orders.

Pjotr Sauer contributed reporting to this article.

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