

NOTICE OF REMOVAL

EXHIBIT 2

FIRST AMENDED COMPLAINT AND PROCESS, CASE 01CV6514

Archangel Diamond Corporation v. Lukoil, et al

DISTRICT COURT, CITY & COUNTY OF DENVER, STATE OF COLORADO 1437 Bannock Street Denver CO 80202	<p style="text-align: center;">▲ COURT USE ONLY ▲</p> <hr/> Case Number: 2001 CV 6514 Courtroom: 7
Plaintiff: ARCHANGEL DIAMOND CORPORATION v. Defendant: OAO LUKOIL	
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FIRST AMENDED COMPLAINT	

Plaintiff Archangel Diamond Corporation ("Archangel"), a start-up development company which maintained its principal place of business in Lakewood, Colorado during relevant times hereto, seeks to recover damages caused by an illegal scheme (the "Illegal Scheme") in violation of the Racketeer Influenced Corrupt Organization Act, 18 U.S.C. §1961 *et. seq.* ("RICO"), C.R.S. §18-17-104 ("Colorado RICO"), fraud and aiding and abetting fraud, intentional interference with contract, aiding and abetting breach of fiduciary duty, unjust enrichment, and civil conspiracy (the "Illegal Scheme") by Defendant OAO Lukoil ("Lukoil").

In addition, as part of the normal way in which Lukoil engaged in business in Colorado, Lukoil engaged in "Cash Smuggling Schemes" by which over \$6 million was smuggled from

Lukoil's *de facto* "Colorado Office" to Russia by over a dozen "Lukoil Colorado Employees" from March, 1999 through the current date in violation of RICO and Colorado RICO as predicate acts of wire fraud, 18 U.S.C. §§1333, anti-money laundering statute, 18 U.S.C. §1956, and Travel Act, 18 U.S.C. §1952.

INTRODUCTION

1. In 1993, Archangel (which was then known as Canmet Resources Limited), came into Russia during a turbulent time following the dissolution of the former Soviet Union and demise of its communist economic system, and entered into an agreement with a Russian state corporation of which the successor in interest is now known as Arkhangelskgeoldobycha ("AGD").

2. In the 1993 Agreement, as supplemented by the 1994 Memorandum (collectively, the "Agreement"), Archangel agreed to finance the exploration and potential development of diamond fields for which AGD was bidding for the license (the "Diamond License") as part of a joint venture.

3. In return, if AGD obtained the Diamond License, it agreed to transfer it when permitted by Russian law to a jointly-owned Russian company (the "Joint Venture Company") in which Archangel would have a 40% interest.

4. Subsequently, AGD won the tender for the Diamond License in the Verkhotina field, and Archangel invested over \$30 million in its own and AGD's operations for the development of the Diamond License, despite the business and political risks of operating in Russia and the highly speculative nature of diamond exploration.

5. Although much of the initial exploration proved unsuccessful, in 1996 Archangel and AGD literally struck diamonds through the discovery of the "Grib Pipe" in the Verkhotina field.

6. After taking over management and control of AGD after its 1995 privatization, Lukoil engaged in the Illegal Scheme in order to deceive Archangel into believing that the Agreements would be honored and the Diamond License transferred to the Joint Venture Company, when it never intended to do so; rather, after obtaining as much investment from Archangel as it could, Lukoil intended to bleed Archangel into bankruptcy and to cause Archangel to lose its contractual rights and investment.

7. As a result of this Illegal Scheme, Archangel was forced to move its headquarters from Colorado when the Colorado state court initially dismissed its complaint and ultimately forced into bankruptcy, and lost the value of its over \$30 million investment as well as over \$400 million in profits which it would earn through its 40% share of the joint venture in regard to the Grib Pipe, plus up to \$800 million in lost profits which may be generated by other diamond pipes potentially located within the geographical scope of the Diamond License.

8. Pursuant to RICO, 18 U.S.C. §1961 *et. seq.* and other law, Archangel seeks to recover over \$1.2 billion in compensatory damages as well as punitive damages up to at least \$3.6 billion based upon the trebling of its compensatory damages, costs, and attorneys' fees, for

losses from the ongoing Illegal Scheme.

JURISDICTION AND VENUE

9. The First Amended Complaint was filed with the intention that it be removed to federal court pursuant to 28 U.S.C. §1452.

10. Upon removal, jurisdiction lies pursuant to 28 U.S.C. § 1331 and 1337(a) and 18 U.S.C. § 1964(c) because this case arises under the laws of the United States, based on claims under the Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. § 1961, *et. seq.*

11. Upon removal, jurisdiction lies with respect to all claims because this case was removed pursuant to 28 U.S.C. § 1452.

12. Upon removal, jurisdiction lies with respect to the non-Federal law claims which fall within this Court's supplemental jurisdiction pursuant to 28 U.S.C. § 1367(a).

13. Upon removal, venue is proper in this District under 18 U.S.C. § 1965 and 28 U.S.C. § 1391 because events and transactions have taken place in this District and the bankruptcy of Archangel has been filed in this District.

PARTIES AND RELATED ENTITIES

PLAINTIFF

14. Archangel is a corporation organized and existing under the laws of Canada and was formerly known as Canmet Resources Limited, which was formerly known as Gold Parl Resources Limited.

15. Archangel and maintained its principal place of business first in Denver, then in Lakewood, Colorado from January, 1998 through December, 2002. Archangel was forced to move its headquarters from Lakewood to Canada as a result of the Colorado state court's decision initially dismissing its claims, which rendered it without sufficient funds to continue without new investments from companies associated with De Beers, which had offices in Toronto.

DEFENDANT LUKOIL

16. Lukoil is an open joint stock company (public corporation) organized and existing under the laws of the Russian Federation and maintains its principal place of business in the Russian Federation.

17. Lukoil is Russia's largest oil company and one of Russia's most powerful economic entities.

18. Lukoil's general director (president) is Vagit Alekperov ("Alekperov") who is considered to be one of Russia's most powerful oligarchs.

19. During relevant time periods, Lukoil, directly and/or indirectly, managed and controlled AGD.

20. During relevant time periods, Lukoil, directly and/or indirectly, managed and controlled VA Investment, LLC ("VA"), a company which managed and controlled AGD.

LUKOIL'S CONTACTS WITH COLORADO

21. During the relevant time period, Lukoil generally conducted business in Colorado through the operation of at least one service station located at 4600 Leetsdale Drive in Glendale.

22. During the relevant time period, Lukoil generally conducted business in Colorado directly with Archangel through communications into the state and by directing AGD to direct numerous fraudulent communications into the state.

23. During the relevant time period, Lukoil generally conducted businesses in Colorado through a variety of other transactions, including agreements with Colorado companies to provide engineers and other services to Lukoil or its subsidiaries, including DS Engineering, Inc.

LUKOIL'S *DE FACTO* COLORADO OFFICE AND LUKOIL COLORADO EMPLOYEES WHO ENGAGED IN MASSIVE CASH SMUGGLING SCHEMES

24. DS Engineering, Inc. ("DS Engineering") is a Colorado corporation formed in February 1999 and has continuously maintained an office in Colorado since that time (the "Colorado Office") with at least two permanent employees based there. A Colorado resident, "DS", is its sole nominal shareholder and director.

Lukoil's *De Facto* Colorado Office

25. DS Engineering has been Lukoil's *de facto* Colorado office used for sourcing and paying Colorado based oil field workers such as engineers, geologists, field supervisors and construction superintendents (the "Lukoil Colorado Employees") for rotating work assignments in Russia, as well as Colorado, to work on various Lukoil projects, including, but not limited to (a) Kogalym, also known as Lukoil AIK; (b) Western Siberia; (c) NMNG; (d) Langepas; and (e) Ural from 1999 through 2009.

26. DS Engineering had no clients other than Lukoil companies from 1999 through early 2008. Each month, DS Engineering charged for Lukoil Colorado Employees' daily rates and travel expenses for work in Russia, and the Colorado Office's monthly operating expenses including rent, health insurance, telephone, employee wages, employee taxes and international worker's compensation insurance. DS Engineering even charged for office chairs, Christmas parties, flowers, and holiday cards. DS Engineering was nothing more than a "pass through" entity serving as a *de facto* Lukoil office in Colorado.

27. From March 1999 through the current date, Lukoil Colorado Employees' work assignments were typically two to four weeks on, two to four weeks off, each month of the year. Given the systematic and continuous rotational work schedule, the Lukoil Colorado Employees

were effectively full time employees of Lukoil even though DS Engineering apparently treated them as independent contractors in apparent violation of Colorado and federal law. Thus, in reality, Lukoil has continuously employed and paid up to 25 Lukoil Colorado Employees per month from March 1999 through the current date, some of whom have provided services for Lukoil companies for ten years.

The Lukoil Colorado Employees Serve As Officers of Lukoil Companies

28. The Lukoil Colorado Employees were appointed to positions of authority within the Lukoil companies in Russia; for example, "DS", the nominal president and shareholder of DS Engineering, served as the "First Deputy General Director" of Lukoil AIK and NMNG for many years and executed documents in Russia in this capacity; numerous other DS Engineering personnel served as "Chief Engineer" of Lukoil AIK and other Lukoil companies and executed documents in this capacity in Russia.

The Massive Cash Smuggling Schemes

29. From March 1999 through the current date, Lukoil used DS Engineering as the fulcrum of illegal cash smuggling schemes (the "Cash Smuggling Schemes") in which the Lukoil Colorado Employees carried cash from Colorado to Russia, in amounts averaging \$40,000 per month, totaling over \$6 million.

30. The cash smuggled each month was purposefully broken up into bundles of less than \$10,000 and divided among separate Lukoil Colorado Employees traveling to Russia to knowingly avoid U.S. currency reporting laws. Lukoil then on a monthly basis directed wires into Colorado to reimburse DS Engineering for the cash smuggled to Russia.

31. The Lukoil Colorado Employees smuggled cash related to at least three different projects: Kogalym project in the Khanty-Mansi Autonomous Region, NMNG joint venture with Conoco in the Timan-Pechora province; and Western Siberia project. Lukoil companies, including Lukoil AIK, even provided a safe for DS Engineering to store the cash.

The Use of Wires in Furtherance of the Cash Smuggling Schemes

32. From March 1999 through the current date, DS Engineering sent monthly invoices by either e-mail or telefax for reimbursement of the smuggled cash to Lukoil, through Lukoil related companies named Oldberry Limited ("Oldberry"), Gilwood Limited ("Gilwood"), and Lukoil Israel, all with the same address in Israel (the "Invoices" and the "Invoice Wires"). Upon information and belief, these companies with the same address in Israel are nothing more than shell companies organized in Cyprus used as conduits to bill Lukoil.

33. Lukoil, by and through its agents, paid the Invoices monthly through wires through banks in the United States directed into Colorado (the "DS Wires").

The Continuous Nature of the Cash Smuggling Schemes

34. This cycle of Lukoil Colorado Employees circulating between Colorado and Russia on a monthly basis, carrying an average of \$40,000 per month in cash structured to avoid

U.S. currency reporting laws, with DS Engineering issuing the Invoices from Colorado and Lukoil wiring funds back to Colorado, continued systematically and uninterrupted from March 1999 through the current date.

The Illegal Use of the Cash In Russia

35. Upon information and belief, the cash was used in part to pay Russian geologists and engineers who provided services to Lukoil companies, including Lukoil AIK in Russia. Such payments were made in dollars and represented a violation of numerous Russian laws, including, but not limited to, (a) currency importation regulations and controls laws, (b) labor laws regarding payment of employees, (c) law which limit the use of currency other than rubles for payment, and (d) tax laws.

DS Engineering Serves As Lukoil's American Bank Piggy Bank

36. Although DS Engineering appeared to be a separate company from Lukoil, this was a sham. DS Engineering, at the direction of Lukoil related companies Oldberry, Gilwood, and Lukoil Israel, made numerous payments by wire for expenses unrelated to the services which DS Engineering personnel provided in Russia, including (a) over \$350,000 for "OBIL services"; (b) over \$100,000 to Express Travel to benefit the person who nominally represented Oldberry, Gilwood, and Lukoil Israel; (c) over \$100,000 for travel and other expenses of employees of Lukoil AIK, including its general director, Mr. Usmanov (who appears unrelated to Alisher Usmanov); and (d) from 2001 through the current date over \$3 million to Lukoil Israel.

37. In other words, DS Engineering paid millions of dollars to Lukoil Israel which it then billed Lukoil Israel for reimbursement. Upon information and belief, this "circle" of monies paid to Lukoil Israel for "services" was wired to a different bank account from which DS Engineering received payment from Lukoil Israel and may constitute some type of fraud. Upon information and belief, Lukoil Israel never provided DS Engineering any invoices or billings which provided any substantive description of the services purportedly provided for the more than \$3 million which DS Engineering wired out to Lukoil Israel from its bank account in Colorado.

LUKOIL'S CONTACTS WITH THE UNITED STATES

38. During all relevant times, Lukoil transacted and continues to transact extensive business in the United States including the following:

39. First, Lukoil maintains a current network of over 1,300 service stations from Maine to Virginia.

40. Second, Lukoil issued and continues to issue credit and fleet cards to individuals and businesses through the United States.

41. Third, Lukoil advertised and continues to advertise its brand on radio, television, and other media throughout the United States.

42. Fourth, Lukoil promoted and promotes its business interests here by funding and

staffing wholly-owned subsidiaries which carried out and continue to carry out activities at the direction of Lukoil and in furtherance of Lukoil's business. Such subsidiaries include Lukoil Americas, LLC, which is incorporated in Delaware and maintains its principal place of business in East Meadow, New York.

43. Fifth, Lukoil engaged in numerous acts intended to increase its substantial business presence in the United States, including the transmission of communications, visits by Lukoil personnel, which includes its high profile participation in an October, 2002 Houston Energy Summit by Lukoil general director Alekperov. Lukoil entered a memorandum of understanding at the Houston Energy Summit with the United States Export-Import Bank ("Ex-Im Bank") and Lukoil actively pursues and receives loan guaranties from Ex-Im Bank.

44. Sixth, Lukoil does business in the United States listings its shares as "American Depositary Receipts" on the US OTC Market. Lukoil entered into contracts with the Bank of New York Mellon Corporation as its depository agent for the management of the ADR shares.

45. Seventh, Lukoil, in conjunction with Conoco Artic, Inc., owns and operates Northern Petroleum Company, LLC, which is registered to do business in Delaware.

AGD

46. AGD is an open joint stock company organized and existing under the laws of the Russian Federation which maintains its principal place of business in the Russian Federation.

47. AGD is the successor in interest to State Enterprise Arkhangelgeology ("AGE"), a Russian state corporation, which was privatized in 1995.

48. AGD has conducted business in the State of Colorado by directing numerous communications into the state, including letters, telefaxes, and telephone calls related to the Agreement (as defined herein) and the 1999 Agreement (as defined herein), between AGD and Archangel, which communications were designed to perpetrate the Illegal Scheme (defined herein).

49. AGD was dismissed from this case for lack of personal jurisdiction by order dated October 15, 2002, which was affirmed on appeal.

USMANOV

50. Alisher Usmanov ("Usmanov") is, upon information and belief, a Russian citizen who in cooperation with Lukoil and others operated and controlled AGD during the time periods described herein.

51. During relevant time periods, Usmanov served as the Deputy Chairman of AGD and represented AGD in negotiations and communications.

52. During relevant time periods, Usmanov managed and controlled Interfin Services, a company which owned a large percentage of the shares of AGD.

53. During relevant time periods, Usmanov and Lukoil managed and controlled VA, a company which owned shares of and controlled AGD.

ARCHANGELSK GEOLOGIC RAZVEDKA

54. Upon information and belief non-defendant Archangelsk Geologic Razvedka ("AGR") was initially a division of state-owned AGE.

55. In 1996, AGR was privatized as a closed stock company, and AGD became and at all times relevant hereto has remained the controlling shareholder of AGR.

56. During relevant time periods, Lukoil, AGD and/or Usmanov operated AGR as a vehicle for receiving funds under the agreements between Archangel and AGD and as a diamond exploration company.

BACKGROUND

57. The Russian Federation is one of the world's largest diamond producers, dating back to the 1950's.

58. Prior to the collapse of the Soviet Union, AGE was a state enterprise which held the development licenses for mineral exploration – including oil, gas, diamonds – in the Archangelsk Region of Northern Russia.

59. In the early 1990's, AGD was headed by Anatoly Kazakov ("Kazakov"), a Soviet industrial boss.

60. In the early 1990's, Russia was in economic disarray following the dissolution of the Soviet Union and the demise of its communist economic system.

61. In 1993, just two years after the attempted coup against Mikhail Gorbachev and at the time of Boris Yeltsin's defeat of the hardliners at the Russian White House, virtually no governmental funds were available for mineral exploration work, whether oil, gas, diamonds, or gold.

62. As a result, in early 1993, the Russian Federation and the local government announced a competitive tender for the development of diamonds in this region.

63. AGE, which had held the monopolistic license during the Soviet period, was now required to bid for development rights for the new licenses.

64. However, at this time, because of the changes in the Russian economy, AGE did not have sufficient cash resources to fund the development expenses.

65. As a result, AGE sought joint-venture relationships with Western investors who were capable of raising money to fund the required development expenses.

66. A Western investment group was established, which purchased Gold Parl

Resources Limited ("Gold Parl") to act as its vehicle.

67. Gold Parl had been formed in 1987 and was listed on the Canadian Stock Exchange and, as a publicly listed company, could be used to raise finances immediately.

68. Gold Parl, later renamed Canmet Resources Limited ("Canmet") and then Archangel, proceeded to negotiate a joint venture agreement with AGE in order to submit a tender to develop a 400 square kilometer area in Russia known as the "Verkhovina Area."

THE 1993 AGREEMENT

69. By agreement dated November 24, 1993, Archangel, through its predecessor, Canmet, entered into an agreement with AGD (the "1993 Agreement"), through its predecessor, AGE, which provided, inter alia:

- a. Section 8: in connection with the diamond development project, Canmet and AGE shall form the Joint Venture Company;
- b. Section 8.3: profits to be derived from the mining of any diamond deposit will be distributed in proportion to each of Canmet's and AGE's proportional interest in the Joint Venture Company after repayment of certain costs;
- c. Section 10.1: Canmet shall have financial control of the project, AGE shall have the obligation of management over the evaluation and feasibility of the project, and the management of development and mining of the project will be the undertaking of the board of directors of the Joint Venture Company;
- d. Section 6.4: AGE shall hold any right or title to the mining area "for the use and benefit of [Canmet] and at all times act in the utmost good faith with respect to the commercial interests of [Canmet]."; and
- e. Section 4.6: "The budget for the first 5 complete years shall not without approval of [Archangel] . . . exceed US \$5,300,000."

70. The parties did not form the Joint Venture Company before bidding for the Diamond License because there was insufficient time to obtain various government approvals required by Russian law.

71. Archangel was to have a 40% interest in the Joint Venture Company.

72. The obligation and risk for financing the exploration, evaluation, and for obtaining the full economic study was assumed by Archangel in accord with the 1993 Agreement, including payment of the fee to tender the bid.

73. It was a condition of the bid that AGE demonstrate the ability to fund exploration and development. The commitment by Archangel was the only basis by which AGE was able to establish this requirement. In fact, AGE submitted the 1993 Agreement to the Russian

government as part of its bid for the Diamond License. Hence, without the 1993 Agreement, AGE would never have succeeded in winning the bid for the Diamond License.

74. Ultimately, the tender was won by AGE, which was issued the Diamond License in December, 1993.

THE 1994 MEMORANDUM

75. In January 1994, following AGE's successful bid for the Diamond License, AGE released more geologic information relating to the Verkhotina site. It became clear that the original \$5.3 million estimate for exploration costs was low. Consequently, the parties agreed to immediately form the Joint Venture Company to raise additional funds. The parties also agreed to transfer the Diamond License to the Joint Venture Company as soon as Russian law permitted. This agreement was memorialized in the memorandum dated February 25, 1994, signed by the parties (the "1994 Memorandum").

76. The 1993 Agreement and the 1994 Memorandum shall collectively hereinafter be referred to as the "Agreement".

77. After the execution of the 1994 Memorandum, the parties incorporated the new joint stock company known as Almazny Bereg ("AB"), and, on March 2, 1994, its "Founders Agreement" was formally signed.

78. AB was intended to serve as the Joint Venture Company.

79. Mikhail Krel ("Krel") was appointed as AB's general director and a company associated with Krel was to receive 10% of the Joint Venture Company from AGE's 60%.

80. AB was registered with the state authorities on May 10, 1994 and on May 23, 1994 began the process of raising its own capital through preferred shares to assist in the development of the Diamond License.

81. During this time period, on May 10, 1994, Archangel, AGF, and AB signed the "Joint Activity Agreement", which was amended on May 20, 1994 (the "JAA") which provided, inter alia, for AB to fund certain work which Archangel was not obligated to fund under the Agreement through AGR.

82. In connection with the JAA, at the request of AGD, Archangel and AB Joint Venture agreed that all payments due under the 1993 and 1994 Agreements would be made to AGR.

83. Archangel in fact made payments due under the 1993 and 1994 Agreements to AGR in compliance with AGD's request.

84. AGR was at all times acting at the direction of AGD in connection with these payments.

THE PRIVATIZATION OF AGE

85. In or about May 1995, a new law came into effect in the Russian Federation which permitted the transfer of the Diamond License from AGE to the Joint Venture Company pursuant to the Agreement.

86. Coincidentally, in August, 1995, the Russian government decided to privatize AGE.

87. Archangel, through AB, was informed that the Diamond License should not be transferred to AB until after AGE was privatized and the Diamond License was first transferred to the new, private corporation.

88. In or about December, 1995, AGE was privatized and became known as AGD.

89. The privatization plan provided for AGD to become the beneficiary of the assets owned by AGE and, at the same time, for AGD to assume the liabilities of AGE.

90. Apparently, during the privatization of AGE, two competing financial groups vied for control of its shares: the Alfa Group and Mapo Bank.

91. Control over AGE was sought because of its very valuable oil assets; at the time, the value of its diamond assets was unknown.

92. At this time, Usmanov was the deputy head of Mapo Bank. Unbeknownst to Archangel, Usmanov had been convicted of extortion and served time in prison in the 1980's, and he maintained associations with Gafar Rahimov and other persons who were publicly portrayed as members of Russian organized crime.

93. In addition, Mapo Bank had powerful connections in Russia, including relationships with high government officials.

94. Upon information and belief, Usmanov designed a scheme with Yuri Tyustin ("Tyustin"), who succeeded Kazakov and became acting general director and later the chairman of AGE, by which shares of AGE were purchased by entities under the control of Usmanov, including Mapo Bank, Interfin Services and AGD Invest.

95. In or about April, 1996, the Diamond License (as well as other valuable licenses held by AGE) was officially transferred from AGE to AGD, and, thus, could then be transferred by AGD to the Joint Venture Company.

THE ILLEGAL SCHEME

THE GRIB PIPE

96. In or about February, 1996, Pipe 441 (the "Grib Pipe") (posthumously named after AGD's deputy general director and prominent geologist) was discovered in the Verkhotina Area.

97. The Grib Pipe was subsequently identified as a fabulously rich pipe of diamonds, containing over \$5 billion of diamonds.

98. As a result of this discovery, the value of AGD's potential diamond interests became greater than originally imagined.

99. Following the re-registration of the Diamond License from AGE to AGD in April, 1996, Archangel immediately requested that AGD transfer the license to AB.

100. After the discovery of the Grib Pipe, Usmanov decided to use his interest in AGD in order to direct AGD to breach the Agreement so that the owners of AGD could obtain the benefits of the diamond discovery (the "Illegal Scheme").

THE 1996 ABORTED EFFORT TO TRANSFER THE DIAMOND LICENSE

101. During the summer and fall of 1996, AGD, at the request of Archangel, sent two letters to the government authorities seeking to transfer the Diamond License from AGD to AB.

102. These letters were subsequently withdrawn by AGD.

103. During this timeframe, Krel, on behalf of Archangel and AB, inquired of AGD's management as to the reason why the letters were withdrawn.

104. Archangel and AB were advised that the new shareholders of AGD following privatization had "new ideas" as to how AGD was to be managed.

105. In December, 1996, Krel met with Usmanov.

106. During this meeting, Usmanov stated that he was reorganizing AGD and he threatened that the Diamond License would be transferred to a new, separate company, and not to AB as required under the Agreement.

107. Usmanov twice verbally "offered" Archangel a 5% interest in the new company.

108. This "offer" was rejected by Archangel.

THE EFFORTS IN EARLY 1997 TO LULL ARCHANGEL INTO BELIEVING THAT AGD WOULD HONOR THE AGREEMENT

109. After the December, 1996 meeting with Usmanov, Archangel had further communications with the management of AGD.

110. Archangel was assured by persons associated with AGD that the state entities which owned shares in AGD supported the transfer of the Diamond License to AB and that the transfer would be affected.

111. Archangel reasonably relied on these representations because the state agencies had an interest in attracting foreign investments and developing the diamond field in order to increase employment in Russia, as well as to share in any profits of the enterprise.

112. In addition, Archangel was assured by AGD that the relevant state agencies, i.e. the Federal Ministry for Mineral Resources and local Archangelsk Regional Government, supported the transfer of the Diamond License to AB.

113. In fact, in April, 1997, Archangel and AB were informed by the chairman of AGD (i.e. Tyustin) that the board of AGD voted to transfer the Diamond License to the Joint Venture Company upon completion of the 1997/First Quarter 1998 Work Program.

114. Archangel was also told that the delay in the transfer of the Diamond License was caused by legal considerations.

115. As it later turned out, these explanations were merely attempts by AGD, as controlled by Usmanov, to lull Archangel into believing that AGD would honor the Agreement for the purpose of inducing Archangel into committing more of its funds to the project.

AGD'S 1997 BREACH OF THE AGREEMENT

116. In or about July, 1997, a board meeting of AGD was held.

117. Upon information and belief, a decision was made by AGD at this meeting to withdraw from the Agreement.

118. Based on this decision, in August, 1997, AGD informed Archangel that it was withdrawing from the Agreement based on purported breaches by Archangel and, further, that it was withdrawing from its involvement with AB and selling its shares in AB in breach of the Agreement.

119. Under Russian law, AGD was required to own 50% of AB in order for the Diamond License to be transferred to AB.

120. Thus, if AGD sold its shares in AB, AB could no longer qualify as the Joint Venture Company for purposes of transferring the Diamond License.

121. At the same time, AGD sent a letter to Canaccord Capital Corporation, the financial advisors responsible for assisting Archangel in raising money for the project from investors, announcing this decision.

122. The purpose of AGD's letter to Canaccord was to disrupt Archangel's ability to obtain financing to fund the exploration and development of the project. In effect, AGD sought (unsuccessfully) to induce a breach by Archangel of its financing obligations under the Agreement.

123. During this time period, Archangel was seeking to raise additional funds in order to fund development expenses for the end of 1997 beginning of 1998 works program.

124. In response to the above actions, Archangel sought the assistance of the Canadian Ambassador to Russia in order to encourage the Russian government to require that AGD perform under the Agreement so that the resources owned by Russia for which the Diamond

License was issued could be developed, creating jobs and other economic benefits in Russia.

125. During these meetings, Usmanov again threatened to transfer the Diamond License to a new corporation and to provide Archangel a mere 5% interest.

**THE ACQUISITION OF CONTROL OVER AGD
BY LUKOIL (WITH USMANOV) IN LATE 1997, EARLY 1998**

126. In the period from late 1997 to early 1998, Lukoil obtained control over AGD by acquiring over 50% of its shares through the entity known as VA, which was organized under the laws of the Kalmiki Republic of the Russian Federation.

127. Upon information and belief, VA purchased shares of AGD owned by various entities and also obtained control over shares owned, directly or indirectly, by Usmanov, including shares owned by Interfin Services, MAPO Bank, and AGD Invest.

128. Lukoil joined in the Illegal Scheme with Usmanov and AGD as soon as Lukoil became a controlling shareholder of AGD.

129. Upon information and belief, Lukoil ultimately purchased the remaining interest in AGD and/or VA held, directly or indirectly, by Usmanov, in or about the year 2000 or 2001.

**THE EFFORTS TO LULL ARCHANGEL INTO BELIEVING
THAT AGD WOULD HONOR THE AGREEMENT
FROM AUGUST, 1997 THROUGH MARCH, 1998**

130. As a result of meetings between representatives of the Canadian and Russian governments, as well as meetings between Archangel and AGD, AGD agreed to abide by the Agreement.

131. By letter dated August 29, 1997, AGD withdrew its previous allegations that Archangel had breached the Agreement, stating:

We hereby confirm for your benefit as follows:

- a. Subject to paragraph 3 herein, that there is no default that has occurred or is occurring to the joint venture arrangement with Archangel Diamond Corporation ("Archangel") including, without limitation, with respect to the obligations of Archangel to fund the work program for 1997;...
- b. That the joint venture arrangement between Archangel and ourselves continues to be binding and in full force and effect and Archangel continues to earn its interest in the joint venture as contemplated in the documentation giving effect to the joint venture; ...
- c. That we hereby waive any right or entitlement to terminate the joint venture arrangement between ourselves and Archangel for any event

or events that may have occurred or may be occurring as at the date hereof.

d. We are providing you with the foregoing confirmation on the understanding that you may rely upon it and so that the financing being arranged with the assistance of Canaccord Capital Corporation may be completed.

132. In December, 1997, AGD held a board meeting at which it ratified the August 29, 1997 letter and reiterated its commitment made at its April 1997 board meeting to transfer the Diamond License to AB following completion of the work program for the end of 1997 and the first quarter 1998.

133. At the same December board meeting, unbeknownst to Archangel, AGD resolved to transfer its 50% shareholding in AB to a newly formed subsidiary company which, under Russian law, would have then prohibited AGD from transferring the Diamond License to AB.

134. On December 18, 1997, Archangel's president, Timothy J. Haddon, met with Mr. Kajadain, the managing director of AGD. At that meeting, Mr. Kajadain confirmed to Mr. Haddon that the license would be transferred to AB following completion of and payment for the end 1997/first quarter 1998 work program.

135. Shortly thereafter, in reliance on the August 29, 1997 letter and the assurances of AGD's managing director Mr. Kajadain, on December 17, 1998 Archangel signed the "Work Programme" with AGD for the end of 1997/first quarter 1998 by which Archangel agreed to invest additional funds in the project in the amount of \$5.2 million.

136. The Agreement had limited the amount of funds committed by Archangel to the project to \$5.3 million. At the time Archangel signed the 1997/1998 work program with a budget of \$5.2 million, Archangel had already contributed \$4.9 million directly to the project. Archangel agreed to fund the project beyond the cap set forth in the Agreement in reliance upon the statements that AGD would honor the Agreement and transfer the license.

137. Lukoil and AGD knew that these statements that AGD would honor the Agreement were false when they were made and intended to lull Archangel into believing that AGD intended to honor the Agreement. In fact, Lukoil and AGD were buying time to see if the letter to Canaccord would induce a breach by Archangel, and, when it did not, Lukoil and AGD sought to squeeze further investment money out of Archangel before AGD finally withdrew from the Agreement.

**THE EFFORT TO LULL ARCHANGEL INTO BELIEVING THAT
LUKOIL WOULD ENSURE THAT AGD HONORED THE AGREEMENT
IN EARLY 1998**

138. In 1998, Lukoil appointed Alexei Barinov, a former Lukoil executive, to head AGD, and Lukoil directed Mr. Barinov to take actions to further the Illegal Scheme.

139. Archangel initially believed that Lukoil effectively controlled AGD through VA, particularly because the initials of Lukoil's general director, Vagit Alekperov were "VA".

140. It appears that VA was controlled by both Lukoil and Usmanov; thus the term "VA" most likely referred to "V"agit (Alekperov) and "A"lisber (Usmanov).

141. Archangel believed that Lukoil was predominantly interested in AGD's oil licenses (which it inherited from AGE) and would support the development and transfer of the Diamond License to the Joint Venture Company.

142. In March, 1998, new AGD general director Barinov, assured Archangel that Lukoil would ensure that AGD transferred the Diamond License to AB.

143. Barinov confirmed AGD's commitment to honor the Agreement by letter dated March 17, 1998, which stated:

a. This is to certify that OJSC "Arkhangelskgeoldobycha" has no any claims to the company of Archangel Diamond Corporation with regard to the fulfillment of its financial commitments according to the Agreement of November 24, 1993 and the Program of geological exploration works at the Verkhotina area for 1997 and I quarter of 1998.

b. OJSC "Arkhangelskgeoldobycha" considers that all the partners of the Joint Activity Agreement of 10.05.94 are honoring their commitments.

c. OJSC "Arkhangelskgeoldobycha" confirms that the Agreement of November 24, 1993 and Joint Activity Agreement of 10.05.94 stay in full effect.

144. Archangel reasonably relied on this letter and believed that AGD, now under the control of Lukoil, would perform under the Agreement and transfer the Diamond License to the Joint Venture Company.

145. In March, 1998, Archangel following advice from Barinov, wrote to Alekperov informing him of the status of matters between AGD and Archangel and asking for his cooperation.

146. By letter dated April 3, 1998, Lukoil stated:

a. When entering new projects, where there is already an established circle of participants, the Company adheres to the principles of continuity and execution of the previously concluded agreements and commitments and obligations ...

b. The company conducts its business in connection with the purchase of equity in the OAO "Arkhangelskgeoldobycha" while staying true to the very same principles.

147. The real purpose of these letters and the statement by Barinov was to lull Archangel into believing that AGD would honor its responsibilities under the Agreement, when, in fact, Lukoil was secretly preparing for AGD to breach the Agreement, while obtaining as

much funding as possible from AGD.

148. Lukoil sought to lull Archangel into believing that AGD would honor the Agreement while Lukoil and Usmanov concluded their negotiations on how the assets and profits of AGD would be divided, i.e. Lukoil obtaining control over the oil assets and Usmanov obtaining control over (or at least some benefits of) the diamond assets of AGD.

THE MAY, 1998 BREACH BY AGD

149. In May, 1998, just two months after the Lukoil letter and Barinov's assurance, AGD informed Archangel that it would not honor the Agreement, and, in fact, planned to transfer the Diamond License to another entity in which Archangel had no interest.

150. By letter dated May 6, 1998, AGD threatened would it "announce to the media and the securities exchange with an appropriate official statement [that Archangel has breached its obligations], which would undoubtedly discredit your professional image, cause the bankruptcy of foreign companies participating in the project [Archangel], and bring their managers to criminal prosecution."

151. Thus, as early as May, 1998, Lukoil evidenced its plan to bankrupt Archangel in order to effectively steal its interests in the joint venture.

THE 1998 STOCKHOLM ARBITRATION

152. As a result of AGD's breach of the Agreement, in August, 1998 Archangel initiated arbitration proceedings against AGD and certain then shareholders of AGD (such as Interfin and Lukoil) in Stockholm (the "Stockholm Arbitration") as authorized at Section 16 of the 1993 Agreement.

153. Archangel appointed Jeffery Hertzfeld, an American attorney based in France, AGD appointed Professor Zykin, a Russian attorney, and the Arbitration Institute of the Stockholm Chamber of Commerce appointed Gunnar Nerdrum, a Norwegian, as arbitrators (collectively, the "Tribunal").

154. AGD, as well as its shareholders, challenged the jurisdiction of the Tribunal.

155. By decision dated April 12, 1999 (the "1999 Decision"), the arbitrators unanimously upheld the jurisdiction of the Tribunal to entertain the claim against AGD (but not the claim against AGD's shareholders).

THE 1999 AGREEMENT

156. In response to AGD's announced intention to breach the Agreement, Archangel again engaged the assistance of the Canadian government.

157. Numerous high level meetings were held between representatives of the Canadian and Russian governments to address the situation.

158. Ultimately, in July, 1999, while the Stockholm Arbitration was still pending, AGD, AB, and Archangel sought to settle their disputes and entered into an agreement dated July 15, 1999 (the "1999 Agreement").

159. The 1999 Agreement provided, in pertinent part:

a. Section 2.1: AGD shall, within 180 days of this Agreement, undertake to reorganize itself in the form of an open joint stock company with Archangel owning 40% of the charter capital of such company;

b. Section 5.2: Archangel will take steps to stay the Stockholm Arbitration proceedings; and

c. Section 7: the parties agree that this agreement does not amend or alter the original agreements which other agreements remain fully effective and binding.

160. Shortly after the execution of the 1999 Agreement, the Russian government approved the extension of the Diamond License.

161. Archangel reasonably believed that that AGD would honor the 1999 Agreement and the original Agreement (which was not replaced by the 1999 Agreement).

162. Archangel relied on the 1999 Agreement, in part, because it was approved by the unanimous vote of the ten member board of directors of AGD, which was then controlled by the six representatives of Lukoil (designated as the VA representatives), including Messrs. Tyustin, Barinov (former Lukoil employee), Ugriumov, Scherbakov (deputy general director of Lukoil), Mr. A.V. Vladimirov (deputy general director of AGD, legal issues), and Galimzianov (former Lukoil employee and later officer of the Archangelsk Regional Administration).

163. The approval of the 1999 Agreement by the Lukoil controlled AGD board members was important because this confirmed Lukoil's agreement to approve the corporate restructuring of AGD provided for in the 1999 Agreement.

164. Following the 1999 Agreement, AGD, under the control of Lukoil, sent numerous communications to Archangel which were designed to lull Archangel into believing that AGD would honor the Agreement and the 1999 Agreement.

165. For example, by letter dated July 23, 1999, Tyustin, the chairman of the Board of AGD and the agent of Lukoil, wrote:

a. The Russian party, namely, AGD, OAK NK Lukoil, and ZAO MIFK Interfin believe that they have found in you, Mr. Timothy Hadden, a partner with whom they can fully implement the July 15th [1999] Agreement and ensure a complete compliance with its obligations, assumed on the basis of the project, based on principles of trust.

166. In addition, by letters dated August 4, 1999 and August 10, 1999, AGD sent a draft joint press release to Archangel for its review and comment.

167. The draft press release stated in part:

a. [The 1999] Agreement fully resolves all of the differences between the parties, and that it is binding and will be adhered to by all parties. Now, therefore, a conflict between AGD and Archangel is completely and fully behind us.

168. The above statements that AGD intended to honor the 1999 Agreement were false when they were made and AGD and Lukoil intended to lull Archangel into believing that AGD intended to honor the 1999 Agreement when they were merely buying time for a more opportune moment to breach it.

169. Lukoil directed AGD to execute the 1999 Agreement – and directed the approval of the 1999 Agreement by the Lukoil controlled AGD board of directors -- to lull Archangel into believing that AGD would honor the Agreement and the 1999 Agreement, when, AGD, through the control of Lukoil, really sought breathing room to obtain an extension of the time period applicable to the Diamond License.

170. Lukoil directed AGD to execute the 1999 Agreement in order to obtain a stay in order to avoid a ruling in the Stockholm Arbitration which would likely be adverse to AGD.

171. Lukoil directed AGD to execute the 1999 Agreement with the intent of further delaying the project with the hope that the continued delay would undermine Archangel's ability to raise funds to fulfill its financing obligations under the Agreement and, thus, cause Archangel to default under the Agreement.

THE ACQUISITION OF CONOCO'S INTERESTS IN AGD

172. In the spring of 1998, the Archangelsk State Property Authority sold its interest in AGD to Conoco, an American corporation, which was interested in AGD's oil interests.

173. Ultimately, Conoco sold its interest in AGD to Lukoil, which sought to strengthen its control of AGD, in or about 2000.

174. Lukoil purchased Conoco's interests in AGD in order to avoid a dispute with that powerful American company in the event that AGD's dispute with Archangel complicated Conoco's investment in AGD.

THE FINAL BREACH OF THE AGREEMENT IN YEAR 2000

175. In December, 1999, the Russian Federation amended its law and provided that a company may transfer a license for subsoil mining (i.e. diamonds) to another company of which it holds 50% of the charter capital.

176. The law became effective on January 2, 2000.

177. By letter dated January 24, 2000, AGD admitted that "This law provides for unconditional and unhindered transfer of the license for the diamond containing area 'Verkhotina' directly to OJSC 'Almazny Bereg.'"

178. Based on this change, it was not necessary for AGD to undergo a corporate reorganization; rather, it could simply do so pursuant to this change of law.

179. Lukoil now faced the choice of having AGD honoring the Agreement and the 1999 Agreement or a renewal of the Stockholm Arbitration.

180. AGD did not honor the Agreement and the 1999 Agreement, and, thus, the Diamond License was not transferred by AGD to the Joint Venture Company within the 180 day period provided by the 1999 Agreement.

181. As a result, Archangel reactivated the Stockholm Arbitration.

RENEWAL OF THE STOCKHOLM ARBITRATION IN 2000

182. After Archangel renewed the Stockholm Arbitration, the Russian attorney whom AGD appointed as its arbitrator suddenly resigned.

183. In October, 2000, AGD appointed Konstantine Razumov, another Russian attorney, to serve as its arbitrator.

184. Following these changes, Archangel pressed to prosecute the Stockholm Arbitration to a final decision.

185. Even though the original Tribunal had upheld jurisdiction over AGD, AGD once again challenged jurisdiction, alleging the dispute was subject to the jurisdiction of the Russian courts. By decision dated July, 2001 (the "2001 Arbitral Decision"), Razumov, the newly-appointed AGD arbitrator, and Nerdrum, the Institute appointed arbitrator, reversed the prior decision of the Tribunal and held that the new Tribunal lacked jurisdiction to hear the dispute.

186. Herzfield vigorously dissented.

THE DISMISSAL OF THE COLORADO LITIGATION IN 2002

187. After the dismissal of the Stockholm Arbitration, Archangel filed this suit against Lukoil and AGD on November 27, 2001 in Colorado state court.

188. By order dated October 15, 2002, the Colorado court dismissed the claims.

LUKOIL'S EFFORT TO BANKRUPT ARCHANGEL ALMOST SUCCEEDS

189. After the dismissal of the Colorado Litigation and the Stockholm Arbitration, Archangel was without funds – its only real asset its claims against AGD and Lukoil.

190. Archangel had no ability to fund its own operations or the litigation; its effort to raise funds in market had no success.

191. Fortunately, in or about December, 2002, companies associated with DeBeers, one of the world's largest diamond producers, agreed to invest money in Archangel to that it could prosecute its claims, and, as a result, Archangel was required to move its principal place of business to Toronto where De Beers' North American business was located.

192. Archangel was therefore able to dodge the financial bullet of bankruptcy.

ARCHANGEL'S SUCCESSFUL APPEAL OF THE 2001 ARBITRAL DECISION AND THE RENEWED STOCKHOLM ARBITRATION

193. Archangel appealed the 2001 Arbitral Decision to the Swedish state court and in February, 2004, the Swedish state court reversed the decision. This was affirmed by appeal on November 15, 2005.

194. The Stockholm Arbitration cost Archangel over \$2.4 million to litigate before the Tribunal and the Swedish state courts. Although the Swedish state courts awarded Archangel over \$600,000 in costs and legal fees arising from the state court proceedings, AGD has paid nothing.

195. Following the dismissal of the Colorado Litigation and reversal of the dismissal of the original Stockholm Arbitration, Archangel filed a renewed arbitration in Stockholm on May 7, 2007.

196. The renewed Stockholm Arbitration has cost Archangel over \$ 3 million to litigate.

THE SUCCESSFUL APPEAL OF THE OCTOBER 15, 2002 COLORADO DECISION AND RENEWED COLORADO LITIGATION

197. By order and opinion dated November 21, 2005, as modified by opinion dated December 20, 2005, the Colorado Supreme Court reversed the dismissal of Lukoil for lack of personal jurisdiction, but affirmed the dismissal of AGD.

198. The case was remanded to the Colorado state district court in June, 2006 and the litigation resumed.

THE EFFORTS TO SETTLE THE DISPUTE AND ARCHANGEL'S BANKRUPTCY

199. Subsequent to the reversals of the dismissals of the Colorado Litigation and Stockholm Arbitration, Archangel and its indirect controlling shareholder, De Beers, has negotiated with Lukoil and AGD to resolve the dispute. As a result, the Colorado and Stockholm litigations were effectively stayed for a period of time.

200. Ultimately, Archangel was not able to settle its dispute with Lukoil and the Colorado Litigation and renewed Stockholm Arbitration were resumed in January, 2009.

201. Unfortunately, Archangel did not have sufficient monies to fund its operations

and prosecute the Colorado and Stockholm litigations; in June, 2009, Lukoil appeared to have achieved its goal of destroying Archangel when it was placed into bankruptcy in Colorado.

202. Subsequently, Archangel has filed a proposed Plan of Liquidation by which Archangel has engaged counsel to prosecute the Colorado litigation on a contingency basis with funding for expenses provided by a lender; Archangel was unable to secure financial arrangements to continue the renewed Stockholm Arbitration, which was terminated without prejudice in October, 2009.

203. From the time by which Lukoil took control over AGD, the Illegal Scheme could not have been perpetrated without the approval of Alekperov, the general director of Lukoil.

THE AGD ENTERPRISE

204. AGD is an enterprise operated and controlled, directly or indirectly, after some point in 1997, by Lukoil.

205. AGD engages in commerce within the United States as evidenced by dealings with Archangel.

206. Lukoil managed, conducted and participated in the conduct of the AGD enterprise through a pattern of racketeering, including mail and wire fraud.

207. Lukoil devised the Illegal Scheme in order to defraud Archangel and to obtain money and property from Archangel, as described above.

208. The scheme was also designed to bankrupt Archangel so that Lukoil could take possession of Archangel's property interest in the joint venture and rights under the Agreement.

THE DS ENGINEERING AND OLDBERRY, GILWOOD, AND LUKOIL ISRAEL ENTERPRISES

209. DS Engineering and Oldberry, Gilwood, and Lukoil Israel are enterprises operated and controlled, directly or indirectly, since February 1999, by Lukoil.

210. DS Engineering, Oldberry, Gilwood, and Lukoil Israel have engaged in continuous and systematic commerce within the United States since February 1999.

211. The DS Engineering, Oldberry, Gilwood, and Lukoil Israel enterprises were formed and operated in part for the purpose of bulk cash smuggling from the United States to Russia.

212. Lukoil managed, conducted and participated in the conduct of the DS Engineering, Oldberry, Gilwood, and Lukoil Israel enterprises through a pattern of racketeering.

THE PREDICATE ACTS

213. The Illegal Scheme and Cash Smuggling Scheme were effected by a pattern of

related predicate acts of mail and wire fraud in violation of 18 U.S.C. §1341 and §1343, money laundering in violation of 18 U.S.C. §1956, and travel in violation of the Travel Act, 18 U.S.C. §1952 (collectively, the "Predicate Acts"). These predicate acts reflect the means by which Lukoil conducts its business activities in Colorado.

THE ILLEGAL SCHEME INVOLVING AGD

Mail and Wire Fraud

214. Lukoil, or its agents or co-conspirators, directed the following fraudulent communications (the "Fraudulent Communications") to Colorado, either through the wires or US mails, which consistently represented that the subject agreements concerning the project were effective and enforceable despite Lukoil's then present intention not to comply with them:

- a. Letter dated August 29, 1997 from AGD to Archangel specifically stating, inter alia, that Archangel may rely on AGD's confirmation that the Agreement remained in full force and effect and that, therefore, Archangel should proceed to fund the work program for 1997 in the amount of \$774,000;
- b. Memorandum dated March 17, 1998 from AGD received by Archangel in Denver, Colorado stating, inter alia, that the Agreement remained in full force and effect and was being complied with by Archangel and AGD;
- c. Letter dated April 3, 1998 from Lukoil sent to Archangel at its Russian office by hand delivery implying, inter alia, that Lukoil would abide by the original Agreement;
- d. Letter dated May 6, 1998 from Usmanov, Tyustin and Kuzmin faxed to Archangel in Denver, Colorado;
- e. In or about May-June, 1998 a follow-up telephone call from Usmanov to Timothy Haddon at Archangel in Denver concerning the May 6, 1998 letter wherein Usmanov requested that a meeting occur between Archangel and AGD concerning the apparent ongoing status of the project;
- f. Telephone calls from Tyustin to Archangel in Denver during the week of May 25, 1999 requesting a meeting between Archangel and Usmanov on or about June 2, 1999 concerning the apparent ongoing status of the project;
- g. Letter dated June 25, 1999 from AGD telecopied to Archangel in its Denver, Colorado office concerning the apparent ongoing status of the project;
- h. Letter dated July 23, 1999 from AGD telecopied to Archangel in Denver, Colorado concerning the apparent ongoing status of the project;
- i. Letter dated July 27, 1999 from AGD telecopied to Archangel in Denver, Colorado concerning the apparent ongoing status of the project;

j. In or about the second half of July 1999 through early August, 1999 follow-up telephone calls from Usmanov and his subordinates (i.e. Vladimirov and Tyustin) to Archangel in Denver relating to a proposed joint press release concerning the apparent ongoing status of the project;

k. Letters dated August 4, 1999 and August 10, 1999 (from AGD telecopied to Archangel in Denver, Colorado) containing a proposed revised version of the proposed press release created and produced by Archangel in Denver, Colorado;

l. Letter dated October 13, 1999 from AGD telecopied to Archangel in Denver, Colorado concerning the apparent ongoing status of the project;

m. In or about September through December 1999 a number of written communications were both received by Archangel in Denver, Colorado and initiated by Archangel in Denver, Colorado from and to Usmanov concerning a joint news conference about the project scheduled for December 1999;

n. Letter dated January 24, 2000 from AGD telecopied to Archangel in Denver, Colorado concerning the apparent ongoing status of the project;

o. Letter dated January 25, 2000 from AGD telecopied to Archangel in Denver, Colorado concerning the apparent ongoing status of the project;

p. Letter dated January 31, 2000 from AGD telecopied to Archangel in Denver, Colorado concerning the apparent ongoing status of the project;

q. Letter dated March 29, 2000 from AGD telecopied to Archangel in Denver, Colorado concerning the apparent ongoing status of the project;

r. Letter dated April 18, 2000 from AGD telecopied to Archangel in Denver, Colorado concerning the apparent ongoing status of the project; and

s. As many as seventy- six (76) separate telecopy transmissions concerning the project sent between AGD and/or Interfin and/or Lukoil on the one hand, and Archangel in Denver, Colorado on the other hand, during the period from September 9, 1998 through August 11, 2000.

215. In reliance on the Fraudulent Communications, Archangel expended monies to fund its United States and Russian operations and authorized via wire and mail, the transmission of funds to AGD for funding of the diamond venture.

THE CASH SMUGGLING SCHEMES

Wire Fraud

216. Lukoil, or its agents or co-conspirators, directed fraudulent wires (the "DS Wires") into Colorado from March 1999 through the current date in order to reimburse DS Engineering for an average of \$40,000 of cash per month which was illegally smuggled by

Lukoil Colorado Employees traveling to Lukoil's Kogalym, NMNG, and Western Siberia oil fields as part of the Cash Smuggling Schemes.

217. DS Engineering sent invoices by email or telefax every month (the "Invoice Wires") from Colorado to Israel to seek reimburse for the cash smuggled into Russia.

218. From March 1999 through the current date, Lukoil, DS Engineering, Oldberry, Gilwood, and Lukoil Israel conducted various telephone calls to and from Colorado (the "Telephone Wires" in the organization, direction and furtherance of the Cash Smuggling Schemes.

219. The DS Wires, Invoice Wires, and Telephone Wires violated the wire fraud statute, 18 U.S.C. §1333, because they were knowingly sent into and from Colorado as part of the purposeful and knowing scheme to evade the currency reporting requirements at 31 U.S.C. §5316 in violation of 31 U.S.C. §§5324 and 5332.

Money Laundering

220. Lukoil's Cash Smuggling Schemes regarding the transfers of funds as described herein were in violation of the anti-money laundering statute, 18 U.S.C. § 1956(a)(1)(2)(A).

221. From March 1999 through the current date, Lukoil engaged in the Cash Smuggling Schemes smuggling over \$6 million in cash into Russia knowingly and purposefully structured in bundles less than \$10,000 and carried by separate Lukoil Colorado Employees to evade the currency reporting requirements at 31 U.S.C. §5316 in violation of 31 U.S.C. §§5324 and 5332.

222. The predicate acts of money laundering were in furtherance of the actual or attempted acts of specified unlawful activity of wire fraud and Travel Act violations, as alleged herein.

Travel Action Violations

223. The Cash Smuggling Schemes included predicate acts of interstate and foreign travel in aid of racketeering as described herein in violation of 18 U.S.C. §1952.

224. In order to affect the Cash Smuggling Scheme, Lukoil Colorado Employees traveled to and from the United States to Russia, from March 1999 through the current date.

225. The predicate acts of interstate and foreign travel were in furtherance of the following actual or attempted acts of unlawful activity: money laundering and wire fraud, as alleged herein.

THE RICO SCHEMES CONTINUITY THE DURATION OF THE SCHEMES

226. The RICO schemes were of long duration; the Illegal Scheme began no later than

the sending of a fraudulent wire in August, 1997 and continued with fraudulent wires through August, 2000.

227. The Cash Smuggling Schemes began in March, 1999 and continue to this date, involving the violation of U.S. and Russian law. The payments to Lukoil Israel began in July, 2001 and continue through this date.

THE EXTENSIVENESS OF THE SCHEMES

Victims

228. The Illegal Scheme has numerous victims including (a) Archangel, (b) its hundreds of shareholders, many of whom are U.S. citizens; (c) more than two dozen creditors, a number of whom are U.S. citizens; and (d) AB and its investors. Archangel's shareholders invested in Archangel based on the belief that Lukoil would have AGD honor the Agreements, when, in fact, Lukoil concealed its intent to do the exact opposite and drive Archangel into bankruptcy.

229. The Cash Smuggling Schemes corrupted the U.S. banking system by wiring moneys through banks in the United States to reimburse DS Engineering for the laundered funds. In addition, the Cash Smuggling Scheme violated numerous Russian laws as set forth above. Upon information and belief, the payments to Lukoil Israel may have constituted another scheme because there is no logical reason that DS Engineering would bill Lukoil Israel for services provided to it by Lukoil Israel.

The Vast Number Of Racketeering Activities

230. The Racketeering Activities are vast.

231. In regard to the Illegal Scheme, there were over 75 communications directed into Colorado from August, 1997 through August, 2000 in violation of the mail and wire fraud statutes.

232. In regard the Cash Smuggling Schemes, there were an average of eight Lukoil Colorado Employees who smuggled cash from the United States to Russia every month for over ten years, meaning over 1,000 separate violations of the anti-money laundering statute and Travel Act; in addition, there was an average one Invoice Wire and one DS Wire per month for over ten years to reimburse DS Engineering for the smuggled cash, meaning over 240 separate violations of the wire fraud statute. Undoubtedly, there were several thousand additional Telephone Wires which violated the wire fraud statute involving communications between DS Engineering and Lukoil companies Oldberry, Gilford, and Lukoil Israel in furtherance of the Cash Smuggling Schemes. In addition, the Cash Smuggling Schemes involved the violation of numerous Russian laws over approximately ten years and continues to this day.

The Variety Of Racketeering Activities

233. The variety of racketeering activities was vast, including mail and wire fraud, money laundering and Travel Act Violations committed thousands of times.

The Numerous Injuries Caused By The Schemes

234. Numerous injuries were caused by the schemes, including injury to the persons named above.

The Complexity And Size Of The Schemes

235. The schemes were complex and grand.

236. The Illegal Scheme involved over 75 separate fraudulent mails and wires, organized by numerous persons associated with AGD and Lukoil, and caused hundreds of millions of dollars of injury.

237. The Cash Smuggling Schemes involved over 25 Lukoil Colorado Employees making over 1,000 separate trips over a ten year period smuggling over \$6 million. The potential scheme involving payments to Lukoil Israel involved dozens of payments made over seven years involving millions of dollars.

The Nature of the Schemes

238. The Schemes reflect Lukoil's means of generally operating its business through predicate acts of racketing. In both instances in which Lukoil has had business ties to Colorado, it has engaged in massive racketeering schemes. These schemes reflect an ongoing approach of engaging in commerce in the United States in order to reap illegal benefits.

DAMAGES

239. But for the Illegal Scheme, if the Agreement had been honored, Archangel would have been able to develop the Verkhovina diamond field by the early 2000s. Archangel estimates that the value of its 40% interest in this field would have been worth roughly \$400 million at that time.

240. In addition, geological exploration indicates that there are likely two additional pipes located near Verkhovina whose value would be similar. Thus, as a result of the Illegal Scheme, Archangel has lost approximately \$1.2 billion in profits.

241. In the economic world of start-up mining companies, such as Archangel, it is common for a company whose explorations have resulted in an economically feasible mine, such as the Verkhovina project, to sell it to a major developer. But for the Illegal Scheme, Archangel would have likely been able to sell its 40% interest in the project in the early 2000's for hundreds of millions to a major developer such as De Beers.

242. But for the Illegal Scheme, Archangel would not have been bled into bankruptcy by the use of its funds for the joint venture or litigation.

243. As a direct and proximate result of the Illegal Scheme, Archangel lacks funding to enforce its Agreement with AGD and compel the transfer of the Diamond License to the AB joint venture because of the enormous expense of arbitration in Stockholm, and, further the

unlikely that an award could be enforced in Russia against the subsidiary of a substantial company like Lukoil controlled by one of Russia's powerful oligarchs.

244. Thus, as a direct and proximate result of the Illegal Scheme, which was intended to bleed Archangel into bankruptcy, Lukoil has been able to defeat Archangel's property interest under the Agreement and the AB joint venture, proximately causing a loss of \$1.2 billion as set forth above.

THE KREL ASSIGNMENT

245. Pursuant to the 1994 Memorandum, a company associated with Krel was to receive a 10% interest in the AB joint venture, i.e. 50% AGD, 40% Archangel, and 10% Krel.

246. The successors to Krel's company have assigned this 10% interest to Archangel.

247. Thus, Archangel's interest in the project is now on a 50%/50% with AGD/Lukoil.

COUNT I

VIOLATION OF RICO § 1962(e)

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

249. Lukoil, through Alekperov, Usmanov, and others, participated in the operation and management of the AGD Enterprise through a pattern of racketeering pursuant to the Illegal Scheme.

250. Lukoil, through its agents, participated in the operation and management of the Oldsberry, Gilwood, Lukoil Israel, and DS Engineering Enterprises through a pattern of racketeering pursuant to the Cash Smuggling Schemes.

251. The pattern of racketeering activity includes two or more related predicate acts of mail and wire fraud committed within a ten year period in regard to the Illegal Scheme and Cash Smuggling Schemes.

252. As a direct and proximate cause of the above predicate acts of racketeering related to the Illegal Scheme, Archangel suffered substantial damage to its business and property.

COUNT II

VIOLATION OF RICO 1962(d)

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

254. Pursuant to the Illegal Scheme, Lukoil, AGD, Alekperov, and Usmanov conspired among themselves, and with others, to violate §1962(c) through the operation of the AGD Enterprise through a pattern of predicate acts of racketeering.

255. Pursuant to the Cash Smuggling Schemes, Lukoil, through its agents, conspired among itself, and with others, to violate §1962(c) through the operation of the Oldberry, Gilwood, Lukoil Israel, and DS Engineering Enterprises through a pattern of predicate acts of racketeering.

256. Lukoil, AGD, Alekperov, and Usmanov, among others, agreed among themselves to commit the Illegal Scheme to defraud Archangel and agreed to commit two or more related predicate acts of racketeering in a ten year period in the course of operating the AGD Enterprise, including the numerous predicate acts set forth above.

257. As a direct and proximate cause of the above predicate acts of racketeering related to the Illegal Scheme, Archangel suffered substantial damage to its business and property.

COUNT III

VIOLATION OF COLORADO ORGANIZED CRIME CONTROL ACT, C.R.S. § 18-17-104 (3)

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

259. Lukoil, through Alekperov, Usmanov, and others, participated in the operation and management of the AGD Enterprise through a pattern of racketeering pursuant to the Illegal Scheme.

260. Lukoil, through its agents, participated in the operation and management of the Oldsberry, Gilwood, Lukoil Israel, and DS Engineering Enterprises through a pattern of racketeering pursuant to the Cash Smuggling Schemes.

261. The pattern of racketeering activity includes two or more related predicate acts of mail and wire fraud committed within a ten year period in regard to the Illegal Scheme and Cash Smuggling Schemes.

262. As a direct and proximate cause of the above predicate acts of racketeering related to the Illegal Scheme, Archangel suffered substantial damage to its business and property.

COUNT IV

VIOLATION OF COLORADO ORGANIZED CRIME CONTROL ACT, C.R.S. § 18-17-104 (4)

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

264. Pursuant to the Illegal Scheme, Lukoil, AGD, Alekperov, and Usmanov conspired among themselves, and with others, to violate §18-17-104(3) through the operation of the AGD Enterprise through a pattern of predicate acts of racketeering.

265. Pursuant to the Cash Smuggling Schemes, Lukoil, through its agents, conspired among itself, and with others, to violate §18-17-104(3) through the operation of the Oldberry, Gilwood, Lukoil Israel, and DS Engineering Enterprises through a pattern of predicate acts of racketeering.

266. Lukoil, AGD, Alekperov, and Usmanov, among others, agreed among themselves to commit the Illegal Scheme to defraud Archangel and agreed to commit two or more related predicate acts of racketeering in a ten year period in the course of operating the AGD Enterprise, including the numerous predicate acts set forth above.

267. As a direct and proximate cause of the above predicate acts of racketeering related to the Illegal Scheme, Archangel suffered substantial damage to its business and property.

COUNT V

FRAUD AND AIDING AND ABETTING FRAUD

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

269. AGD and Lukoil made material misrepresentations and omissions to Archangel which were false when made and relied upon by Archangel. These misrepresentations and omissions were intended to cause, and in fact did cause, Archangel to continue to perform under the Agreement and the 1999 Agreement, and caused Archangel to contribute directly to the project more funds than provided for in the original Agreement. In addition, the fraudulent acts caused Archangel to continue its costly efforts to raise and commit funds for the project further damaging Archangel.

270. The subject material misrepresentations and omissions included, but were not limited to, the following:

271. AGD's false and misleading assurances given in late 1996 through April, 1997 that it would comply with its obligations under the Agreement including its obligation to transfer the Diamond License to AB at the appropriate time. These assurances included representations made to Krel by the AGD board of directors at a board meeting held on April 22, 1997, in the city of Naryanmar, Iskatelei Settlement, that the Diamond License would be transferred once the 1997/first quarter 1998 works program had been completed and a follow-up letter dated May 26, 1997 from AGD to AB confirming same;

272. AGD's false and misleading assurances given in or about August, 1997, which included a letter dated August 29, 1997, from AGD to Archangel and confirmed at a board meeting of AGD which occurred in December, 1997, that AGD would comply with its obligations under the Agreement and that it would transfer the Diamond License to AB by mid-1998;

273. AGD's false assurance that it would transfer the Diamond License upon Archangel's funding of the work program as expressed by Mr. Kajadain at a meeting with Mr.

Haddon of Archangel on December 18, 1997;

274. Lukoil's and AGD's false and misleading assurances given in late 1997 through early 1998 that they would cause AGD to abide by all of its obligations to Archangel as set forth in the Agreement all of which obligations of AGD were ratified and reconfirmed in writing by AGD as binding and enforceable. These assurances included a letter to Archangel from AGD signed by Mr. Barinov on March 17, 1998, a meeting between Mr. Barinov and Mr. Haddon on March 26, 1998, and a letter hand-delivered to Archangel from Lukoil dated April 3, 1998;

275. AGD's entry into the 1999 Agreement which, inter alia, effectively and formally again ratified and reaffirmed the original Agreement, and which subsequent agreement was approved by the unanimous vote of the board of directors of AGD which board was controlled by Lukoil and Usmanov;

276. AGD's entry into the 1999 Agreement for the purpose, inter alia, of obtaining a stay of the then pending Stockholm Arbitration which, at that time, had already ruled that it had jurisdiction over the then pending disputes between Archangel and AGD under the Agreement;

277. AGD's entry into the 1999 Agreement for the purpose, inter alia, of further delaying the project in the hope that continued delay would undermine Archangel's ability to continue to raise funds to fulfill its financial obligations thereby creating the likelihood of a default by Archangel under the original Agreement; and

278. The failure of AGD, Lukoil, and Usmanov to disclose to Archangel their true improper and unlawful purposes and intentions with regard to the Agreement and the 1999 Agreement, namely, inter alia, that they never intended to abide by these agreements.

279. But for the material misrepresentations and omissions of AGD, Lukoil and Usmanov, the Illegal Scheme would have been seriously impaired, Archangel would not have continued to perform under the original Agreement, and the 1999 Agreement, and Archangel would not have raised and provided substantial funding for the project all of which worked to the extreme detriment of Archangel.

280. Lukoil directly participated in, or aided and abetted AGD and Usmanov in furtherance of, the aforesaid fraud.

281. As a result of these misrepresentations and omissions of material facts, Archangel has suffered and continues to suffer substantial damages.

282. The aforesaid unlawful conduct was continuous, repetitive, willful and wanton entitling Archangel to exemplary damages to the full extent provided by Colorado law including C.R.S. 13-21-102.

283. At the time of the aforesaid fraudulent acts and/or omissions, Archangel did not know, nor by the exercise of due diligence did Archangel have reason to know, that Lukoil fraudulently concealed its intention to have AGD breach its agreements with Archangel.

COUNT VI

INTENTIONAL INTERFERENCE WITH CONTRACTUAL RELATIONS

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

285. Lukoil intentionally and improperly interfered with AGD's obligations to Archangel under the Agreement, the 1999 Agreement, and AGD's other agreements to transfer the Diamond License to the Joint Venture Company. Lukoil interfered with these contractual obligations after taking control of AGD, preventing AGD from transferring the Diamond License in accordance with the agreements, and inducing AGD to breach the agreements. Lukoil's actions were motivated by its desire to secure 100% of AGD's diamond interests for itself.

286. The acts and/or omissions of Lukoil referred to herein were committed by Lukoil with the express purpose of interfering with the known contractual relationships existing between AGD and Archangel relating, *inter alia*, to AGD's express obligation to transfer the Diamond License to the Joint Venture Company.

287. Lukoil's acts or omissions referred to herein were committed intentionally, maliciously, wantonly and with a total disregard for the rights and property of Archangel, and with the specific knowledge and purpose that there be an interference with the known contractual relationships between Archangel and AGD.

288. Lukoil's acts and/or omissions referred to herein did, in fact, proximately cause the interference referred to herein and Archangel has been, and continues to be, damaged thereby.

289. The aforesaid unlawful conduct was continuous, repetitive, willful and wanton entitling Archangel to exemplary damages to the full extent provided by Colorado law including C.R.S. 13-21-102.

COUNT VII

AIDING AND ABETTING BREACH OF FIDUCIARY DUTY

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

291. AGD owed a fiduciary duty to Archangel, as stated, *inter alia*, in the Agreement, to "hold and control the [Diamond License for] the use and benefit of [Archangel] and at all times act in the utmost good faith with respect to the commercial interest of [Archangel]."

292. AGD breached its fiduciary duty to Archangel by, among other things as pled herein, refusing to transfer the Diamond License to the Joint Venture Company.

293. Lukoil knowingly aided and abetted AGD's breach of fiduciary duty by, among other things, making false representations to Archangel regarding the original Agreement, the

1999 Agreement and the other agreements concerning the Diamond License, and otherwise by causing or facilitating AGD's decision not to transfer the Diamond License and causing AGD's other actions connected therewith.

294. As a direct and proximate result of this unlawful conduct, Archangel has suffered substantial damages.

295. The aforesaid unlawful conduct was continuous, repetitive, willful and wanton entitling Archangel to exemplary damages to the full extent provided by Colorado law including C.R.S. 13-21-102.

COUNT VIII

UNJUST ENRICHMENT

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

297. Lukoil (through its controlling interest in AGD) received and currently hold the benefit of Archangel's interest in the Diamond License.

298. Lukoil (through its controlling interest in AGD) received the benefit of the funds contributed by Archangel to acquire the Diamond License and to explore the mining property under the various agreements and, further, Archangel's commitment to providing funding for the Joint Venture which was the "but for" cause of AGD winning the tender for the Diamond License.

299. Lukoil has appreciated and accepted these benefits under circumstances where it would be unjust and inequitable to retain these benefits without compensating Archangel.

300. Lukoil has been unjustly enriched by the value of these retained benefits.

301. Lukoil hold these benefits in constructive trust for Archangel, and should be compelled to return these benefits, or the equivalent monetary value thereof, to Archangel.

COUNT IX

CIVIL CONSPIRACY

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

303. Commencing in or about late 1996 through 2000 and thereafter, the exact dates of which are unknown to Archangel, AGD, Alekperov, Usmanov, Lukoil, among others, intending to injure Archangel, conspired and combined in an unlawful manner, including participating in the Illegal Scheme, to deprive Archangel of monies, rights, and other property to which it was and is entitled in connection with the original Agreement, the 1999 Agreement, and the other agreements to transfer the Diamond License.