

Kuwait Hit With \$100M Claim By Russian Businesswoman

By **Caroline Simson**

Law360 (July 17, 2018, 8:41 PM EDT) -- A prominent Russian businesswoman who is imprisoned in Kuwait after being sentenced to 10 years of hard labor for allegedly embezzling public funds has filed a \$100 million arbitration claim accusing the Persian Gulf nation of orchestrating a politically motivated campaign against her, her lawyers said Monday.

Marsha Lazareva, vice chairman and managing director of the private equity company KGL Investment KSCC, alleges that the campaign against her is meant to serve as payback for her support of democratic and human rights reforms in the country, according to the July 10 notice of arbitration.

She also claims that the "demonstrably false" charges brought against her are not only aimed at harming her investments, but are also meant to serve as retribution for a lawsuit filed by KGL to recover money allegedly owed by a Kuwaiti state entity, and for a separate lawsuit accusing Kuwaiti authorities of using fabricated documents to conduct an audit of a private equity fund Lazareva helped to create, which included among its investors several Kuwaiti state entities.

"This case is one of the most outrageous denials of justice committed by a state actor in recent memory," Crowell & Moring LLP partner Ian A. Laird, a member of Lazareva's legal team, said in a statement. "Fabricated charges, a refusal to consider evidence, and reliance by the court on the testimony of a single, highly suspect witness have led to Marsha's continued imprisonment under inhumane conditions."

Kuwaiti officials could not immediately be reached for comment on Tuesday.

In her position at KGL, Lazareva helped to create a private equity fund called The Port Fund, which focuses on ports and related logistics opportunities in emerging markets, according to KGL's website. Its investors included the Kuwait Ports Authority and the Kuwait Public Institution for Social Security.

Despite the fact that The Port Fund boasted a successful investment record — with an average return on investment of around 8 percent — Lazareva was arrested in late November by Kuwaiti authorities under the erroneous charges that she and others had wasted public funds and embezzled KPA money, according to the notice of arbitration. Kuwait also froze nearly \$500 million in funds belonging to The Port Fund in Dubai.

Lazareva was arrested and detained for questioning for more than two months, only being released after posting \$30 million in bail, according to a statement issued by Crowell & Moring. Three months later, she was hauled back into prison and only allowed minimal medical attention, causing her health to decline, the firm said.

Before her trial, Lazareva says she was subjected to inhumane treatment including being held and interrogated under "appalling" conditions without any charges filed against her. She claims her treatment may also be motivated by the fact that she is a woman, since no male foreign fund manager of her status has ever received such treatment in the country. She was sentenced to 10 years of hard labor in May.

Lazareva claims she may also have been caught up in a larger scheme to damage the reputation of a Kuwaiti businessman, who was the chairman of the logistics company Kuwait & Gulf Link Transportation Co. KSCC, to diminish KGL's influence as a competitor for government and commercial logistics contracts in Kuwait.

The businesswoman accuses Kuwait of violating a bilateral investment treaty with Russia and seeks to be immediately released and compensated at least \$100 million in damages.

The claim was filed ad hoc under the United Nations Commission on International Trade Law arbitration rules.

Lazareva is represented by Crowell & Moring LLP.

Counsel information for Kuwait was not available on Monday.

--Editing by Breda Lund.