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FORMER UKRAINIAN PRIME MINISTER SENTENCED TO 97 MONTHS IN PRISON

Fined \$9 Million For Role In Laundering \$30 Million Of Extortion Proceeds

SAN FRANCISCO - Pavel Ivanovich Lazarenko was sentenced yesterday to 97 months in prison, ordered to pay a \$9 million fine and forfeit \$22,851,000 and various specified assets resulting from his money laundering convictions, First Assistant United States Attorney David Anderson announced. The court deferred decision on restitution.

“The U.S. Attorney’s Office has maintained throughout this case that Pavel Lazarenko misused his office to extort tens of millions of dollars from a Ukrainian citizen, lied to the people of Ukraine about his assets, and abused our banking system in an attempt to establish a safe haven in the United States,” First Assistant U.S. Attorney Anderson said. “Yesterday’s sentence should send a strong message to corrupt foreign public officials – they will be held accountable if they misuse their office and try to make safe harbor in the United States.”

After a ten and one-half week trial, Lazarenko was convicted by a jury on June 3, 2004, on twenty-nine counts of money laundering, wire fraud and interstate transportation of stolen property. During the trial, evidence showed that starting in the early 1990s, when he was the governor of an industrialized region in Ukraine, Lazarenko abused his official authority to extort Ukrainian businessman Peter Kiritchenko of 50 percent of his profits. Over time, and as Lazarenko rose in office to become the Prime Minister, Kiritchenko paid Lazarenko \$30 million, which was half of Kiritchenko’s \$60 million in profits. At Lazarenko’s direction, Kiritchenko assisted him in laundering the proceeds of that extortion through accounts in Poland, Switzerland, Antigua, and, ultimately, the United States, where Lazarenko used a shell company to conceal his purchase of a multi-million dollar residence in Marin, Calif. Kiritchenko pleaded guilty to one count of receipt of stolen property and testified against Lazarenko.

After trial, the court dismissed fifteen counts and sentenced Lazarenko on fourteen counts. The Ninth Circuit Court of Appeals later affirmed all of Lazarenko’s money laundering convictions (eight counts) dismissed the other charges and vacated the original sentence. Yesterday’s sentencing was on the eight counts of money laundering. Because the judge who presided over the trial and initial sentencing, the Honorable Martin J. Jenkins, left the federal bench, the case was reassigned to the Honorable Charles R. Breyer, who handled the resentencing.

“We are pleased Mr. Lazarenko has been held accountable for his crimes,” said FBI Special Agent in Charge Stephanie Douglas. “The wanton abuse of official power undermines people’s faith in their elected leaders and the effectiveness of any government. In this age of internationalization, we must diligently pursue corruption wherever it takes hold to help ensure public officials act for the benefit of their constituency, not for their own personal gain.”

“Uncovering the trail of money was key in identifying the corrupt actions of Mr. Lazarenko,” said Scott O’Briant, Special Agent in Charge, IRS Criminal Investigation. “If you put illegal money gain ahead of obeying the law, you can expect to be investigated, prosecuted and sent to prison.”

This case is the first prosecution of a foreign leader for laundering the proceeds of extortion through financial institutions in the United States.

Peter B. Axelrod, Stephanie Hinds, Patricia Kenney and Hartley West are the Assistant U.S. Attorneys who are prosecuting the case with the assistance of Wilson Wong, Alicia Chin and Carolyn Jusay. The Department of Justice Organized Crime and Racketeering Section supported this prosecution. The prosecution is the result of a six-year investigation by the FBI and IRS.

Further Information:

Case #: 00-284 CRB

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Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

All press inquiries to the U.S. Attorney's Office should be directed to Jack Gillund at (415) 436-6599 or by email at Jack.Gillund@usdoj.gov.

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