

UBS will pay \$2 million arbitration award

An investor has won a \$2 million arbitration award from UBS AG, the claim was based on his proxy fight against a health-care information systems company by calling a margin loan and selling almost 2.3 million shares that he had in the business.

In the investor claim, Mr. Ahmed Hussein reported that he lost more than \$20 million when UBS called the loan as Quality System Inc.'s stock was falling in 2012. Mr. Hussein, who was a Quality System director, was trying to force a change in the company's strategy.

The UBS rapid stock sale to satisfy the margin requirements "torpedoed Mr. Hussein's standing in the proxy contest," according to the claim filed with the Financial Industry Regulatory Authority in 2014.

Award:

- The Financial Industry Regulatory Authority arbitration panel that heard the case ruled that UBS has to pay to Mr. Hussein compensation, but no other damages or legal fees.

ICSID – Exxon vs. Venezuela

A World Bank arbitration tribunal should rule in the second quarter of 2016 on Venezuela's bid to annul a \$1.6 billion compensation award to Exxon Mobil Corp for nationalizations.

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For further information please
contact our specialized lawyers

Telephone: +90 212 277 4 111
Email: Info@tr.kilicandpartners.com

Where To Find Us:

Astoria Kempinski, Tower A, Floors 8-10
Büyükdere Street Nr.: 127
34394 Esentepe Şişli Istanbul | Turkey

Recently the World Bank's International Centre for Settlement of Investment Disputes (ICSID) rejected a separate Venezuelan request that the centre review the award.

Venezuela has been arguing that the ICSID should either annul the \$1.6 billion award or at least deduct the country's previous payment of \$908 million to Exxon that was ordered by the Paris-based International Chamber of Commerce (ICC).

Background of the case:

- Case against the Venezuelan government over assets expropriated in 2007.
- The Exxon case is one of the largest of more than 20 claims against the South American nation at the ICSID court demanding compensation for assets seized during a nationalization spree spearheaded by the late socialist President Hugo Chávez.
- The administration of his successor, President Nicolás Maduro, will have to pay \$1.4 billion to Exxon for seizing a 41.7% stake in the Cerro Negro project. The operation involved plying heavy oil from the country's vast and resources-rich Orinoco region and processing it into a lighter grade of crude. Exxon has said it cost \$3.1 billion to build and operate the facilities between 1997 and 2007.

Peru wins Arbitration case over royalty payments

Peru has prevailed in an international dispute with the Camisea consortium over royalty payments tied to the reload of LNG.

The World Bank's International Center for Settlement of Investment Disputes (ICSID) Panel ruled in favor of state-run upstream promotion agency PeruPetro.

KILIC & PARTNERS

Astoria Kempinski Tower A, Floors 8-10
Büyükdere Cad. No. 127 - 34394 Esentepe
Şişli - Istanbul - Turkey

T: +90 212 277 41 11
F: +90 212 340 76 01

info@tr.kilicandpartners.com
www.kilicandpartners.com

PeruPetro successfully argued for compensation for royalties lost as a result of the reload and maintained that Pluspetrol, and not the Peru LNG liquefaction facility, was ultimately responsible for the gas under its contract. Pluspetrol countered that it was not responsible for exports or for the actions of traders.

While the amount of the award has not been disclosed, PeruPetro's director when the case was filed, Aurelio Ochoa, said the amount should be around \$50mn.

Background of the case:

- In September 2011, PeruPetro detected that 10 LNG cargoes shipped to the Freeport, Sabine Pass and Cameron terminals on the US Gulf coast between August 2010 and March 2011 had been re-exported to Asia. Although reloads are permitted, royalties must be paid on the final destination, not the reload terminal.
- PeruPetro filed for arbitration against Camisea operator Pluspetrol of Argentina in August 2012.

ICC case - San Leon Energy vs. Avobone

San Leon Energy plc, company focused on oil and gas exploration in Europe and North Africa, received notice from the Secretariat of the International Court of Arbitration of the International Chamber of Commerce (ICC) confirming the submission of a Request for Arbitration by Avobone N.V. and Avobone Poland B.V. in relation to the purchase by Aurelian Oil & Gas, San Leon's subsidiary, of Avobone's 10% shares and loans in Energia Zachód Sp. z o.o. - the titleholder of the Siekierki asset.

San Leon considers the claims without merit. San Leon and intent contest these claims at the hearing of the Court of Arbitration.

KILIC & PARTNERS

Astoria Kempinski Tower A, Floors 8-10
Büyükdere Cad. No. 127 - 34394 Esentepe
Şişli - Istanbul - Turkey

T: +90 212 277 41 11
F: +90 212 340 76 01

info@tr.kilicandpartners.com
www.kilicandpartners.com

Highlights:

- The findings of the Court of Arbitration were received by the Company on Saturday 23rd May 2015, and provide for a total payment by Aurelian Oil & Gas (a subsidiary of San Leon plc) of approximately £13 million including costs. Two-thirds of the main award relates to the repayment of a loan provided by Avobone to Aurelian.
- In Aurelian's view, this loan was a standard industry-practice mechanism that was used to fund Avobone's share of the drilling and other field-related costs in a tax-efficient manner, and should only have been repayable had Avobone exited after the field had generated sufficient cashflow to repay the loan. As of the timing of Avobone's exit in early 2013, the field had yet to generate cashflow.
- San Leon Energy remains convinced that Avobone's case is substantially without merit, and that the findings of the Court of Arbitration constitute a 'serious procedural irregularity', as set forth by the UK Arbitration Act 1996 for challenging an arbitral award, and therefore provides grounds for appeal

KILIC & PARTNERS

Astoria Kempinski Tower A, Floors 8-10
Büyükdere Cad. No. 127 - 34394 Esentepe
Şişli - İstanbul - Turkey

T: +90 212 277 41 11
F: +90 212 340 76 01

info@tr.kilicandpartners.com
www.kilicandpartners.com

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