

By **MARGARET COKER** *Wall Street Journal*

DUBAI -- Amid the movers and shakers of this glittering city, Shahram Abdullah Zadeh cut a wide swathe. He cruised around town in a white Bentley and dined with royalty as his company developed one of the emirate's premier office complexes.

But last February, a phone call from Dubai's state security effectively ended it all.



Shahram Abdullah Zadah

Hauled in and locked up for 60 days, Mr. Zadeh says he was interrogated about his role in Dubai's freewheeling real-estate sector and his business relationship with the brother-in-law of Dubai's ruler, Sheikh Mohammed bin Rashid Al Maktoum. When released, Mr. Zadeh says he had been frozen out of the real-estate company he had helped start.

Mr. Zadeh's experience, compiled through court and company documents, offers a rare window into the murky business world that helped transform this city from an empty coastline into a metropolis. It also may offer a cautionary tale for investors lured to the city, which bills itself as the modern face of a new Middle East. Dubai is one of seven semi-autonomous emirates that make up the United Arab Emirates.

The U.S. government and human-rights groups have long criticized the judicial system in the U.A.E for a lack of independence and oversight. In the good times, investors didn't fret much about these shortcomings. Now, some of the same deals that helped build Dubai are coming undone -- in particular, a tradition of off-the-book business partnerships between Emirati citizens and elite expatriates like Mr. Zadeh, who was born in Iran.

Mr. Zadeh claims his detention came after a business dispute with his partner at Al Fajer Properties, Sheikh Hasher bin Juma'a Al Maktoum and his son, Sheikh Maktoum bin Hasher al Maktoum. Both men are members of the extended family of Dubai's ruler, Sheikh Mohammed bin Rashid Al Maktoum. Mr. Zadeh alleges the two men took control of the firm while he was in custody, according to a lawsuit he filed with Dubai's public prosecution office last year.

Mr. Zadeh has not been charged with a crime. But for the past year, authorities have held onto his passport, making it impossible for him to travel or find work.

"I used to believe in the miracle of Dubai. But now I see it all as a mirage," said Mr. Zadeh, 37. Sheikh Hasher denies any wrongdoing. He says he was not responsible for Mr. Zadeh's jailing and that he removed him from the company because Dubai authorities said he had offered bribes, an allegation Mr. Zadeh denies.

"I don't need to defend my reputation. He does," Sheikh Hasher said in a telephone interview. "This man is crazy. He is a crook with a sweet tongue."

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Al Fajer Properties

Shahram Abdullah Zadeh's planned \$750-million development (shown in an artist's rendering) with Al Fajer Properties in Dubai ran into turbulence.



Some of Mr. Zadeh's claims are impossible to verify independently. His only copy of the real-estate partnership agreement is missing, and official company documents show the Sheikh Hasher as sole owner. Dubai's security services, the public prosecutors' office and the Dubai ruler's court all either declined to comment or didn't respond to repeated requests for comment.

Last fall, the Emirates' Human Rights Association, a government body, wrote to authorities asking for an explanation about why Mr. Zadeh's passport was being held. The group did not receive any response, according to his lawyers.

Mr. Zadeh grew up in Dubai, attending school with the children of some of the city's top families. He managed his family's hotel and retail holdings and decided to go into business himself in 2000. Real-estate development was off limits to foreigners, even longtime residents like himself. So, he turned to a common practice -- a silent partnership with a U.A.E. citizen.

Typically, such partnerships involve an Emirati acquiring a business license and then granting his foreign partner management control. The foreigner either pays an annual fee to the Emirati or the two share profits. The terms are set forth in a parallel set of documents, separate from those submitted to the government. Such contracts are so common that courts here have upheld them in disputes, according to commercial lawyers here.

In 2004, an old friend of Mr. Zadeh's father brokered an introduction with Sheikh Hasher. The sheikh owns Al Fajer Enterprises, a conglomerate that includes a large construction and contracting arm.

In affidavits filed with Dubai's prosecution office, Mr. Zadeh contends that he and Sheikh Hasher verbally agreed to a partnership, signing a contract on Feb. 1, 2006. The partnership, Mr. Zadeh says, established the two men as co-owners of Al Fajer Properties. The men would split profits equally and would invest equal amounts of capital. The contract named Mr. Zadeh as chief executive.

Mr. Zadeh provided \$335,000 in start-up capital, and he invested another approximately \$30 million in the company, according to bank documents reviewed by The Wall Street Journal. Mr. Zadeh's affidavits contend Sheikh Hasher didn't contribute any capital. Sheikh Hasher denies the equity partnership ever existed.

Business took off quickly. One of Al Fajer's biggest projects was a planned \$750-million development of five office towers, set just inland from Dubai's man-made, palm-tree-shaped island. Mr. Zadeh bought three of the five plots for the 40-story towers with his own money, according to financial documents. With investors lined up for units, he then awarded \$215 million worth of contracts to the construction arm of Sheikh Hasher's Al Fajer Enterprises, according to company documents.

But by late 2007, the contractors were behind schedule, according to company documents and former employees. Al Fajer Properties was facing fines for the delays, and buyers were starting to complain. Sheikh Hasher wanted payments to continue to his companies, but Mr. Zadeh claims he said no. The sheikh complained in a series of text messages that unless Mr. Zadeh released more cash, his contracting companies would go bankrupt.

On Feb. 21, 2008, Mr. Zadeh claims, he received an unusual phone call from State Security, asking him to come in that evening for a talk. When he arrived, he claims that police blindfolded him, put him into a sport-utility vehicle and drove him to a detention center.

In the eight weeks he was jailed, Mr. Zadeh says he was never accused of a specific crime or shown an arrest warrant. Instead, he says, he was repeatedly interrogated about his personal life and Al Fajer's operations, and gave his interrogators the combination to the company's safe after they asked for it. "They told me that if I did not cooperate that they would ruin me," Mr. Zadeh said.

Mr. Zadeh contends the only copy of his partnership agreement with Sheikh Hasher was in the safe. Former employees of Al Fajer say the company safe was emptied while Mr. Zadeh was jailed.

On March 6, Sheikh Hasher's son, Sheikh Maktoum, was named the new chief executive of Al Fajer Properties. Sheikh Hasher hired international accountants to audit Al Fajer's books, according to former employees. He then presented the findings to employees and select clients, accusing Mr. Zadeh of embezzling funds. Phone calls and emails sent to lawyers and accountants of Al Fajer Properties were not returned.

Sheikh Hasher says Mr. Zadeh stole money from him, but did not provide evidence, or the audit, to back his claim. Mr. Zadeh denies it.

Prosecutors refused to investigate the case, citing an order from Dubai's attorney general, an official appointed by the ruler. In November, Mr. Zadeh tried one last option. He approached the ruler's diwan, or court administration, and asked for mediation from Sheikh Mohammed himself.

So far, there has been no reply.

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