

Phone conversation between Bill Browder and Peter Bond on September 24, 1998

PB – Hello.

BB – Peter.

PB - Hello, how are you doing?

BB – You know who I am?

PB – Yes, I do indeed. You are Dan O'Neill's ex-boss but only because he is ex and you are still there.

BB – Right, I am sorry that there is a disruption in the communications and we probably should have warned you in advance but...

PB – Not really. There is no point me knowing before Dan knew.

BB – No, we should have warned you, I mean, when Dan knew... in any case you know now and you can talk to me in his place.

PB – Right.

BB – So, there is some continuity to our conversations and I have your proposal in front of me which I haven't read yet but I just wanted to let you know that I am the guy that you can talk to.

PB – We kind of picked that up. We actually spoke to somebody else in Dan's absence. But I think he might be gone as well.

BB – Who is that?

PB – I actually can't remember his name.

BB – Everyone else is here. German Mikhailov?

PB – No, he wasn't.

BB – Vadim Kleiner.

PB – No, there was [pause] can't remember who it was.

BB – Brian Steere?

PB – No.

BB – Well anyway.

PB – Doesn't matter.

BB - Doesn't matter.

PB - I mean, basically, I am sure you are up to speed, but just to touch base. I mean obviously, several months ago we went to Moscow.

BB - Yes.

PB - And German and Dan were there at the meeting. I think, quite understandably, given what had gone on, there was a "perception" that we were some screwed little offshore company used for nothing other than asset stripping. And we sort of sat there and said, "Hang on a minute, boys, where are you coming from?" And we explained at that meeting what our role was. And hopefully and, shining my own halo at this moment in time, proved that we haven't been used purely for asset stripping. We played an important part within AVISMA's business. But, candidly we understood the basics of that business probably as well as anybody around the table and somewhat better than most I would think I apologize, I am blowing my own trumpet because nobody else will. As a result of that, Dan took us to one side, I'm sure you know this but...

BB - Yes, you'd better repeat it.

PB. - So that we are on the same wave length, Dan rang me up and said can we have a private meeting which we had in the hotel we were staying at and we had a very full and frank conversation about the history as we understood it of the acquisition of AVISMA. And I think that filled a few gaps for Dan, to say the least. And hopefully, went some way to persuading him that we did not have two heads. One of the things we actually said, with all that mucking around that went on, was that we didn't believe that it was a real transaction at one point in time which may have been a quote that has come back to you somewhere through the system.

BB - As it was, we got bits and pieces of it but we didn't get rid of Dan because we didn't like him, he is a very talented guy, we got rid of him just because Russia as you know, is falling apart.

PB - Yes, I would have been surprised if you got rid of him because of cause. I was convinced it was just a question of a meltdown meant that he did not have a job anymore.

BB - Basically, but he shared with me a lot of things and a lot of things slipped through the cracks but I am happy to hear some of them again.

PB - Dan then said "Look, let's keep in touch, because you obviously have a greater understanding than we credited you with. We value what you're doing, we can't say whether it will continue or not but we value what you are doing and we would like to be able to call upon your expertise in relation to our valuation of our investment in AVISMA"...

BB - It is good that you have been involved, I mean, I will tell you what the main issue is and that is just the truth - the issue is just who controls the cash flows right now.

PB - Yes.

BB - I do not see a reason why the guy who... you come from a reputable firm and you do reputable business and you know the company, and I do not see any reason why assuming we can, sort of.....I am not speaking on behalf of the Group, I am speaking on behalf of myself or should I say on behalf of Hermitage, I cannot make the decision for the entire group but we are trying to nail down where the money is going. So, we can in the future be able to control it. And then there is no reason why we shouldn't have a guy who knows everything about it. Right? That would make sense to me.

PB - At the end of the day, to all intent and purposes we control the cash flow. But not as such if you see what I mean, because we act upon other people's instructions as to what we do with that cash flow.

BB - So, the real question is.....there is this E&Y audit and everything we have a chance to read through and a chance to analyze. Who tells you where to make payments right now?

PB - At the moment we take instructions from Gennady Lopatinsky and Tetyukhin and we get both of them to sign off.

BB - Right. And when did Tetyukhin start signing?

PB - [Um] As soon as the audit procedures were implemented, to be honest. We basically said "Look lads, with all the stuff that is flying around here, unless somebody is prepared to give me something in writing".

BB - You are absolutely right to do that I'm glad. That makes me feel a little more comfortable. Because all this money went out earlier and I do not know where it went.

PB - See, that's easy. There is not that much money went out earlier, by the way.

BB - OK.

PB - That is fully accountable for. Since there has been no distributions probably for some months now, only payments that have been made have been in the "normal course of business" which is where TMC's positive cash flow is being used to improve its payments to AVISMA to reduce AVISMA debtors, I mean, we must be AVISMA's largest debtor, they are our biggest creditors if you see what I mean. So, in order to accelerate AVISMA's cash flow as much as possible, to accommodate the problems they are facing at the moment, the only money that has been going out of TMC has been going directly to AVISMA.

BB - And then where does that money go?

PB - It is used as AVISMA's working capital.

BB - Does AVISMA have a bunch of money on deposit at Menatep or something like that?

PB - Yes, it did and it lost that.

BB - How much money was it?