

might get more information. "If the police won't tell us what they're doing, why don't we go directly to the tax authorities and see what they have to say?"

This was a good idea, and we instructed our accounting firm to send a letter to the **Moscow tax office where Kameya had submitted its returns, asking if Kameya owed any taxes.**

On September 13, Sergei called Ivan back almost giddy with excitement. "The accountants got a reply to the letter. You won't believe this, but **it says that Kameya doesn't owe any money at all. In fact, it says that Kameya actually overpaid its taxes by a hundred and forty thousand dollars!**"

When Ivan told me this, I was amazed. This was ironclad proof that the charges against him were utterly bogus. It was as if members of the New York City Police Department had raided a Manhattan office on suspicion of tax evasion when the IRS had no problem with the taxes in question. No matter how distorted the Russian legal system was, this letter completely exonerated Ivan.

After this, I began to relax for the first time in months. As September moved into October, no more bad news came out of Russia. I had been operating in full-blown crisis mode, but over that fall, little by little my Russian crisis meetings started to be replaced by regular investment meetings. It was a great relief to talk with analysts about stocks instead of lawyers about raids.

One country that kept on coming up in these meetings was South Korea.

South Korea is hardly a developing country like Thailand or Indonesia, but its stock market traded at a 40 percent discount to the United States on a price-earnings ratio basis. This made it interesting for an investor like me. If I could find no good reason for this discount, then certain Korean stocks could potentially re-rate. I decided to get on a plane in October to visit some Korean companies to determine why their equities were so cheap.

I arrived in Seoul on the evening of Sunday, **October 14.** After a twelve-hour flight and a two-hour drive from Incheon Airport into

town, I checked into the Intercontinental and unpacked. Even though it was 11:00 p.m. in Seoul, my body thought it was early afternoon. I spent most of that night trying and failing to go to sleep and eventually gave up. I pulled myself out of bed and sat at the window overlooking the lights of Seoul. The city—bright and twinkling and distinctly foreign—stood outside like a scene from a movie. Whether in Tokyo, Beijing, Hong Kong, or Bangkok, every Western traveler seems to have one of these jet-lagged, late-night moments upon arriving in Asia.

I got only a few hours of sleep that night and had a painful time getting out of bed in the morning to meet Kevin Park, a thirty-five-year-old Korean broker who was taking me to visit various companies. He'd arranged meetings with banks, a real estate company, and an auto parts supplier. The jet lag made every meeting drag, and I practically had to pinch myself under the table to stay awake. It was a hard day.

By the evening, I was ready to collapse, but Kevin insisted on taking me to a Korean barbecue. He had been so helpful and earnest in planning the trip I couldn't turn him down. I drank two Diet Cokes in my room, splashed some cold water on my face, and met him in the hotel lobby. At the restaurant we ordered bulgogi, bibimbap, and kimchi. At the end of dinner, just when I thought I could finally go back to the hotel and fall into bed, Kevin told me we were meeting some of his work colleagues for drinks at a nearby karaoke bar. It was excruciating as he and his friends tried to ply me with Johnnie Walker Black Label as they took turns at the karaoke machine. Finally, at **midnight**, when I could no longer keep my eyes open, he took pity on me and put me in a taxi back to the hotel.

The next day consisted of more meetings and more food, yet in spite of the jet lag and overbearing hospitality, I was having fun being a regular investment analyst again and I savored being momentarily removed from the grave things going on in Russia.

I returned to the Intercontinental at the end of the day to check my messages. British mobile phones don't work in Korea, so my office

was forwarding my messages to the hotel. As I leafed through a little stack of white paper in the elevator, I saw one from Vadim that read, "Call me when you get this. Urgent."

Vadim never overreacted, so when he said "urgent," it really was urgent. My heart started pounding as I raced to my room to make the call.

He picked up on the first ring. "Bill, we got a call from a bailiff at the Saint Petersburg court early this morning. He said there's a judgment against one of our Russian investment companies, and he wants to know where he can find the money to satisfy it." Although we had sold all of our shares in Russia, we had to keep the empty investment holding companies in place for three years in order to liquidate them properly.

"Judgment? What judgment? What's he talking about?"

"I don't know."

"Do you know if this person is even real?" It was perfectly plausible that this was some kind of clumsy setup.

"No, but I don't think we should ignore it."

"Of course not. How much money was he talking about?" I imagined that we had misplaced a \$200 courier bill and this had somehow found its way to court.

"Seventy-one million dollars."

*Seventy-one million dollars?* "That's insane, Vadim! What is this about?"

"I have no idea, Bill."

"Vadim, get Eduard and Sergei on this ASAP. We need to find out what's going on."

"I will."

My week of distraction had been shattered. The Russians hadn't given up at all.

This whole bailiff thing was ludicrous. Where the hell did this claim come from? Who was behind it? How could they make a claim on assets that were no longer even in Russia? They couldn't. Or could they?

I could barely think about Korea anymore. I had to get back to London as soon as possible. I called Kevin, apologized profusely that I wouldn't be able to make dinner, and asked him to cancel the rest of my meetings. I then called Korean Air and booked the first flight to London the next morning.

After the long flight, I went straight to the office to meet Vadim and Ivan. We settled into the conference room and they debriefed me on what they'd learned while I was in the air.

The first thing was that the judgment was indeed real. Eduard had taken the train to Saint Petersburg, gone to the court, retrieved the case file, and taken pictures of the documents with his digital camera. Vadim pulled one of these pictures from a stack of papers and laid it in front of me. He pointed at a word on the page. "This says Mahaon," which was one of the fund's dormant investment holding companies. "And this is the amount." It was in rubles, but I did a quick mental calculation and could see that it was roughly \$71 million.

"How could we not have known about this?" I demanded, thinking it was some colossal oversight on our side.

"Sergei was wondering the same thing," Vadim said. "While Eduard was in Saint Petersburg, Sergei checked the company ownership database."

"And?" I asked with a sinking feeling.

Ivan sighed. "Mahaon's been stolen, Bill."

"What do you mean stolen? How do you steal a company?"

Ivan, who knew a bit about the company registration process, said, "It's not simple. But basically a company's owners can be illegally changed without you knowing if the person taking control of the company has the company's original seals, certificates of ownership, and registration files."

This hit me hard. "Those are the documents that were seized by the police," I said quietly. "When they raided Jamie's office."

"Exactly," Ivan confirmed.

He explained that once this was done, the new owners could ac

just like any other owners of a company. They could run it, liquidate it, take its assets, relocate it—anything they wanted.

Everything had now become clear. We had become the victims of something called a “Russian raider attack.” These typically involved corrupt police officers fabricating criminal cases, corrupt judges approving the seizure of assets, and organized criminals hurting anyone who stood in the way. The practice was so common that *Vedomosti*, the independent Russian newspaper, had even published a menu of “raider” services with prices: freezing assets—\$50,000; opening a criminal case—\$50,000; securing a court order—\$300,000; etc. The only way to fight these Russian raiders effectively was to retaliate with extreme violence, which was obviously not an option for us.

Sergei spent the night doing research and called us the next day to explain how it had all happened: “Mahaon, plus two other companies that belonged to you, have been reregistered to a company called Pluton, located in Kazan.” Kazan is the provincial capital of Tatarstan, a semiautonomous republic located in central Russia.

“Who owns Pluton?” I asked.

“A man named Viktor Markelov, who, according to the criminal records database, was convicted for manslaughter in 2001.”

“Unbelievable!” I exclaimed. “So the police raid our offices, seize a ton of documents, and then use a convicted killer to fraudulently reregister our companies?”

“That’s exactly what happened,” Sergei said. “And it gets worse. Those documents were then used to forge a bunch of backdated contracts that claim your stolen company owes seventy-one million dollars to an empty shell company that you never did any business with.”

“My God,” I said.

“Wait. It gets *even* worse. Those forged contracts were taken to court, and a lawyer who you didn’t hire showed up to defend your companies. As soon as the case started, he pleaded guilty to seventy-one million dollars in liabilities.”

As rotten and incomprehensible as this was, everything now made sense. As the story crystallized in front of my eyes, I started laughing.

At first a little, then loudly. There was nothing funny about what was going on, but I was laughing out of sheer relief. At first everyone else was silent, but then Ivan joined me, followed by Vadim.

We now knew exactly what they were up to, and they had completely failed. They wanted the Hermitage money, but none of it was there. Based on the published price list of corporate raiding, the guys had spent millions bribing judges, cops, and clerks only to get nothing.

The only person who didn’t laugh was Sergei. “Don’t relax, Bill,” he said ominously over the speakerphone. “This is not the end of the story.”

“What do you mean?” Vadim asked.

“I don’t know,” Sergei answered, his phone line crackling slightly. “But Russian stories never have happy endings.”

