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### World News: Hermitage Capital Management Runs Into Trouble in Russia; U.K. Fund Accuses Authorities of Trying To Steal Its Assets

Chazan, Guy. *Wall Street Journal*, Eastern edition (New York, N.Y.) 04 Apr 2008: A.3.

#### Abstract (summary)

Hermitage Capital Management Ltd., an investment fund active in Russia, accused Russian authorities of trying to steal its assets, as Russian police said they had charged an executive of the fund with tax evasion.

#### Full Text

LONDON — Hermitage Capital Management Ltd., an investment fund active in Russia, accused Russian authorities of trying to steal its assets, as Russian police said they had charged an executive of the fund with tax evasion.

The case appears to be a further sign of pressure on foreign investors, especially those involved in Russia's energy sector. Hermitage Chief Executive William Browder, a British citizen, joined the fund in 2005, led a revolution as a campaigner for minority shareholder rights and openly criticized mismanagement at natural-gas giant OAO Gazprom and other big Russian companies.

A spokesman for Hermitage alleged Russian police involvement in a plan to change the ownership of three companies listed on the fund.

Meanwhile, police in Moscow said they had charged Evgen Cherkashin, head of operations at Hermitage in London, with tax evasion. Mr. Cherkashin left Russia in 2006 and has been based in the United Kingdom since then. From 2002 to 2006, Mr. Cherkashin was operational manager of Hermitage's Moscow office and general manager of a Hermitage investment unit. He says the charges against him are baseless, adding that what Hermitage did "was in accordance with the law."

Hermitage's recent troubles follow pressure on several other major foreign energy sector investors, including Russian security service units last month on TNK-IP, the Russian venture of British oil major BP PLC. A TNK-IP employee was subsequently arrested on suspicion of industrial espionage. Analysts say the private Russian shareholders in TNK-IP could soon be forced to sell out to a state-owned company, such as Gazprom. IP and TNK-IP declined to comment.

Russian authorities have denied Mr. Browder a visa to enter the country since November 2005, though they haven't said why. He said Russian officials had told him he was deemed a "threat to national security." In recent months, the U.S. ban Mr. Browder has sought to exit the firm of Hermitage, which has \$7 billion under management, away from Russia. Last year, he launched a \$1.4 billion fund to invest in South America, the Middle East and Asia.

The case against Mr. Cherkashin centers on OAO Gazprom, an investment vehicle linked to Hermitage. Hermitage argued in a "proxy war" that allowed foreign investors to gain control over the firm as Hermitage wanted to sell shares to Gazprom. The methods, widely used by a number of funds, became obsolete in 2006 when Russia liberalized the market to Gazprom shares.

Police allege that Hermitage used a plan to sell existing gas and electricity reserves to Gazprom's Russian parent, Hermitage said.