



# KOLA SALMON, INC.

## Atlantic Salmon Fly Fishing in Russia

P.O. Box 27662 • Tempe, AZ 85285-7662 • Phone (602) 902-0887 • Fax (602) 902-0888  
Murmansk local telephone (7815) 54-3798 • Telephone & Fax via Norway 47-789-10359

26 May, 1996

To all Kola Salmon clients — a May update:

These periodic reports are becoming more pleasant to write with each report. Our struggle over the Kharlovka-Rynda program is over. We have been vindicated.

It did not come easily. Sjöberg and Abelsson continued to refuse negotiations and our negotiating committee recommended that we pursue whatever judicial remedies we could muster in Russia. The defense committee found additional money, and a suit was filed for 750,000,000 rubles against Northern Rivers for the contract violations that led to the cancellation of the 1995 season. The court granted us a writ that froze their assets until the matter could be decided. We also took the necessary legal steps to take possession of the camps the week before the 1996 season opened. The Oblast Administration, perhaps learning something from the Varzina fiasco and having seen us prevail time after time in the courts, refused to intervene. To their credit, they said, "Let the courts decide the dispute."

Faced with imminent disaster, an agreement was reached on May 25th. The season will proceed and the program will not be further discredited. Kola Salmon agreed to sell its camps for on a ten-year buyout, and Flyfish Kola agreed to purchase the Kola Salmon marketing contract for \$20,000 per year for a ten-year period. In return for foregoing the other legal claims, Flyfish Kola also agreed to provide the Kola Investor Committee sixteen half-price rods in perpetuity, four each in the four prime weeks. The committee has agreed to provide half of these rods to 1995 clients in the event we do not obtain compensation in Stockholm. Prior Kola Salmon clients retain their rights of first refusal for future years. Additionally, Sjöberg and Abelsson reimbursed KSM its expenses for the litigation.

There were those on the Russian side who preached defiance to the bitter end, but to the credit of Christer Sjöberg and Johan Abelsson, when they finally decided to seek compromise, they stuck to their decisions and have proved to be honorable. All of us on the Kola Salmon team wish them every success.

The Stockholm matter is moving rapidly towards a conclusion. The Lovozero side finally provided its answer two weeks ago (six weeks late) and we see nothing serious in their claims. The Arbitrator from their side has been replaced by a Moscow attorney, probably no more independent than the first.



We asked the Tribunal to locate the oral hearing in Moscow in the interests of economy (frankly, we were hard-pressed to finance a trip to Stockholm) and this appears to have been granted. The Lovozero side is doing everything possible to stall the proceedings, but the Chief Arbitrator has verbally committed to a hearing date during the week of June 17th. The word "appears" should be underlined because Lovozero is furiously protesting. We have been promised a final decision about the hearing date by June 4th. The supreme irony would be for the final arbitration decision to take place on June 22nd, one year after Pyotor Prince evicted our clients from Varzina.

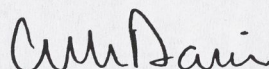
The Murmanrybvod case is in the St. Petersburg Appellate Court; no hearing date has been set.

This has been the hardest Winter in living memory on the Kola and it has been followed by a very late Spring. The massive snow-pack has not really begun to melt and water levels are still low as a consequence. If it warms suddenly, there will be problems with high water. When the ice went out of the lower Varzuga on May 15th, an ice dam formed just below the village of Varzuga, backing water into the houses four feet deep. They dynamited the obstruction and the resulting wall of water and ice washed away the client cabins in the downstream camp at Sobachi rapids, fortunately without loss of life. The first week of the season had already been canceled and the following groups are being housed at Pana and Kitsa with daily fly-outs to the lower river for fishing. We understand the first Ponoy group has been canceled also.

Politically, we are beginning to become optimistic. Six months ago, I did not believe it possible that Yeltsin could be re-elected, but he has made an amazing comeback. It appears that more people are afraid of Zyuganov and the Communists than are disgusted with the corruption of the Yeltsin administration. People have not "given up" on democracy—just the opposite. One hears even Zhiranovsky saying things like "with Yeltsin as president, we can vote again four years from now, but with the Communists, who knows?"

One small note about the money being spent on Yeltsin's behalf— on May 9, the anniversary of victory over Germany, every veteran received an individual letter from Yeltsin with the veteran's name referred to three times. These old folks are only dimly aware of the miracles of computer-generated letters with most of them believing it really is a personal letter. My mother-in-law was voting for Zyuganov, but not after receiving such a warmly-personal, letter from the president himself. Nina told her a computer did it which she doesn't believe for a minute. She keeps holding it up to the light to examine the signature and each time finds yet another reason to believe it is a personal letter of gratitude from a thankful nation as personified by its thoughtful and wonderful president. Amazing.

Best wishes,



Bill Davies





# KOLA SALMON, INC.

## Atlantic Salmon Fly Fishing in Russia

P.O. Box 27662 • Tempe, AZ 85285-7662 • Phone (602) 902-0887 • Fax (602) 902-0888  
Murmansk local telephone (7815) 54-3798 • Telephone & Fax via Norway 47-789-10359

30 March 1996

To our previous patrons; a March update from Russia—

Probably, you have been wondering whatever happened to Kola Salmon and Bill Davies, the guy who went to Russia a year ago and never returned. It is quite a tale.

You will recall that in 1993 and 1994 we were driven almost insane by the inability of the local political leaders to resolve the dispute over Varzina where two companies claimed rights, ourselves and the Russian company, MurmanskTourist. After the Administration lost its court case to the federal agency, Murmanrybvod, and additional agonizing negotiations, we finally settled the matter. On the theory that if you can't lick 'em, join 'em, we signed an agreement with MurmanskTourist last winter and looked forward to a year of peace. Boy, were we wrong.

The local chieftain, no doubt with a few winks and nods from the Ponoy people, unilaterally canceled our contract at Varzina in early 1995, and since the river was then "without contract," held a secret auction and awarded a new contract to the president of the Ponoy River Company, terms undisclosed. We retained a lawyer who pointed out that the laws of Russia do not allow unilateral cancellation of contracts.

We proposed settlement in the courts of Russia and he agreed. We all went to court, where it became obvious that he would lose and, rather than lose face, he withdrew his suit. Under Russian law, after withdrawal had been accepted by the court with prejudice, he thereby gave up all rights to challenge the contract. He then reneged on his agreement to allow Russian courts to decide the question, insisting instead that the matter must be settled before the Arbitration Institute of Stockholm under the "Disputes Clause" of the contract. The damn judge allowed him to do this. The contract remaining in force, we filed a claim with Stockholm, and hunkered down until the matter could finally be decided.

The local worthy, not content to await the "Stockholm process" then evicted us and our first group of clients on June 22nd without a court order, but backed with his own armed and black-masked soldiers, thus creating an international scandal that made the pages of *The New York Times* and *Wall Street Journal*.

Since then, the local political leaders have accused me of being a troublemaker and bringing disgrace to Russia. Investigations into our affairs suddenly swirled about us; the Tax Authorities, the Corruption Department of the Ministry of Interior (like our FBI), the Visa Registration people, and FSK (successor agency to the KGB). The local representative of the Ministry of Foreign Affairs even refused to renew my visa. Refreshingly, all gave us a clean bill of health replying, "Kola Salmon and Bill Davies have acted in accordance with the laws of Russia." Actually, it appears they are as sick of the corruption as anyone else and have been quite supportive. The local press is calling the affair "Kola Gate."

Meanwhile, the season was canceled, and I have \$400,000 in claims against me from clients who lost their trips. The Atlantic salmon sport-fishing community has divided into two camps—the majority being sympathetic, but a vocal minority accusing me of fraud, deception, and cruelty to animals. Previously close friends no longer speak to each other, and it seems that everyone has felt the necessity of "choosing sides."



The Arbitration Institute of Stockholm took the case and levied a security deposit of 400,000 Kroner (\$57,300 in US dollars) payable one-half by each side. The Russians who insisted on the Stockholm process, refused to pay their half. By November, I was broke and nearly suicidal with frustration.

Miraculously, a close friend in Great Britain, Mike Savage, had faith in us and decided to help. As one who had been evicted from Varzina, he was equally as outraged. He formed a defense committee raising \$86,500 on our behalf. We paid \$57,300 to Stockholm the first week of January and have submitted our claim of 1,654,000 dollars. The Russians are in shock. They can see a day of reckoning coming, and they will be forced to explain to Moscow how it is they have created a mess that will require that much money to clean up. (And this from a budget that hasn't even been able to pay January salaries.) For more than 70 years these guys have operated on the idea that laws mean what political leaders say the laws mean, and that anyone who disagrees is simply a troublemaker. Now they get to explain to Mr. Yeltsin why they didn't notice that a constitution has been adopted.

They have until April 1st to answer to Stockholm; replies and counter-replies will take place. The decision will occur only after May 20th. Incidentally, Stockholm says that never in history has Russia failed to pay promptly a judgment, even in the old days of the USSR, when they were not signatory to the international convention.

At the same time Varzina was being seized, the Kharlovka program blew up. My partner from 1994, Boglaev the Slippery, saw an opportunity to pocket some quick "side money" and sent ten Mafia chieftains to the Rynda camp the third week of June, never mind that it also contained five of my clients. They shot up over a case of automatic weapon cartridges in a program of terror against the local reindeer herds, flew off to Litsa while our Kharlovka clients were told that the "river was closed," drank four cases of my vodka and six cases of the Georgian wine laid in for our clients, and chased the female cooks. Apparently, it was someone's birthday party and they seemed to enjoy themselves immensely.

The clients were not amused, however, and they made this known to me as I arrived fresh from the debacle at Varzina. The French journalist, Pierre Affre, an excitable little man in any case, was almost too indignant to communicate. Despite wild arm waving and nearly hysterical expressions in three languages, all he could do was make snot bubbles with his nose. Another client with more dignity said, "Davies, you promised me an adventure, and you surely did provide one."

Meanwhile, access to crucial areas of Eastern Litsa and almost all of Rynda were denied to our clients by the Fisheries regulations in violation of our contract. We canceled the season in disgust the following week.

Subsequently, Boglaev sold the operating company, Northern Rivers, to a Swedish outfitter, Flyfish Kola, supposedly owned by Christer Sjoberg, Johan Abellsson, and Herb Van Dyke (yeah, the same one who walked off with the money in 1991). Boglaev neglected to tell them that Kola Salmon owned the camps or that Kola Salmon possessed a long-term, exclusive marketing contract. At one point since, Sjoberg supposedly has asked, "Then what did I buy?" The answer seems to be—"the Brooklyn bridge."

Time since then has been a comedy of court cases, fortunately all won by Kola Salmon. The courts have confirmed that Kola Salmon owns the camps and that all trips sold to Kharlovka and Rynda in 1996 by Flyfish Kola are invalid. They also confirmed that Kola Salmon acted properly in closing the '95 season and that a case exists for compensation from Northern Rivers. Although probably wondering how they got into this mess, the Swedes have rejected all efforts from our side to negotiate, insisting they will proceed with the '96 season despite the court orders. We think they are probably mistaken.



Now you understand why you did not receive the annual, breathlessly enthusiastic information from Kola Salmon about this year's programs. We have been otherwise occupied here in beautiful, scenic Murmansk, fighting for our economic lives against what, at times, seems the entire power structure of the local Russian government. Although educational and often entertaining, it has not always been pleasant.

At one point, we received so many death threats that we finally provided a power of attorney to others in Great Britain and North America and so notified the opposition that the process will continue with or without the presence of Davies. We copied everyone in law enforcement, and since then have heard no more of this nonsense.

The courts of Russia keep grinding on, we keep winning, and Stockholm will provide the ultimate civics lesson to those who have abused their power. With persistence, the good guys *really* do win.

The problem is, we may starve before the process can be completed, especially since it will be necessary to finance a trip to Stockholm for our Attorney, General Manager, the Interpreter (Nina), and myself, continuing to finance the guarding of the camps. We run out of money by mid-April and need at least \$25,000 to stay the course, until the judgment can be collected from the Russian government after the Stockholm decision.

I would rather be caned in Singapore than ask friends for a loan, which is why I have not contacted you previously, but I believe this is more in the realm of a pretty good investment. For those investors who have put up a minimum of \$5,000, the best case scenario is a lifetime free week of fishing in the event we recover both programs or a half-price week if only one program is recovered. Worse case scenario is 100% return on the money advanced if no fishing programs are recovered. During the winter, the proposition appeared very speculative, but at present, it appears quite safe.

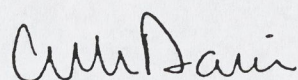
If you have \$5,000 or \$10,000 in accessible funds, I would be very grateful if you would lend them to me for the period it takes to complete this business and collect the judgment, probably late this summer. The transactions are handled by Mike Savage in Great Britain. If you wish additional information, please contact Mike directly by fax at 44-193-287-4464 or me personally at the above number in Murmansk.

Proceeds from Stockholm have already been dedicated to the special account of the defense fund in Great Britain and Mr. Michael J. Savage will reimburse investors before any funds become available to Kola Salmon.

If this proposition is possible to accept, I will be ever so grateful; if not, I will completely understand and say no more about it.

It remains to be seen whether we will be successful in regaining our fishing programs in time for the 1997 season, but if we do, (and if we can be satisfied that the goofiness of Russia is over) you can look forward to your annual invitation to participate in our mutually-loved sport of fly fishing for Atlantic salmon along the magnificent rivers we pioneered on the north coast of the Kola Peninsula.

Very best wishes,



Bill Davies