

Tube Supplies Under Siege

By Jason Victor Serinus

May 20, 2006 — It may read like a page out of a classic corporate crime thriller, but the threat is real. ExpoPul, a company whose factory in Saratov, Russia manufactures vacuum tubes under the brand names Sovtek, Electro-Harmonix, Tungsol, Svetlana, Mullard, and others—tubes that include the 6H30 “super tube”—is threatened by one of the many Russian corporate “raiders” who are increasingly stealing businesses from their rightful owners. If the threatened hostile takeover proves successful, two-thirds of the world’s supply of vacuum tubes—tubes vital to the sound of audiophile gear and instruments from such well-known companies as McIntosh, Audio Research, BAT, Jadis, Fender, KORG, Peavey, Vox, Soldano, Carvin, Ampeg, and Crane—could become a thing of the past.

ExpoPul is owned by Mike Matthews, 64, a sound-effects designer and one-time promoter of Jimi Hendrix, Chuck Berry, and others. (Guitar buffs know the veteran rock’n’roll keyboard artist as the inventor of the Big Muff guitar fuzz box and many other classic effects pedals.) Matthews’ New Sensor Corporation, based in New York City, bought the 53-year-old ExpoPul factory in 1998. Since then, its production has increased by 300%, making it the largest producer of vacuum tubes in the world. With one of the biggest factories in Saratov, ExpoPul employs well over 800, mostly female, workers. In 2005, it sold 170,000 tubes a month, bringing in approximately \$600,000.

Now for the intrigue. RBE (Russian Business Estate), a company headquartered in Samara, has begun “raiding” ExpoPul and other Saratov-based companies. Matthews thinks that RBE is affiliated with the Saratov-based billion-dollar conglomerate, SOK.

More than a year ago, RBE acquired several buildings adjacent to ExpoPul’s, including the utility company RefEnergO. Throughout 2005, RBE repeatedly threatened ExpoPul’s director, General Vladimir Chinchikov, promising big problems if the company didn’t sell. Matthews, a fighter to the core, was not about to give in.

Last November, RBE’s RefEnergO wrote ExpoPul, stating that it would cut off energy to the factory on December 31. Around the same time, The Moscow Times reported on the events, exposing the corrupt practices of a host of raiders who fraudulently took over 1400 businesses in 2005 alone.

Soon thereafter, high-level Russian officials received letters of protest from the presidents of Fender (US), Peavey (US), KORG (Japan), and Vox (UK). ExpoPul appealed to Russia’s Anti-Monopoly Commission and Arbitration Court and won strong decisions from both. Nonetheless, RefEnergO shut off ExpoPul’s electricity on

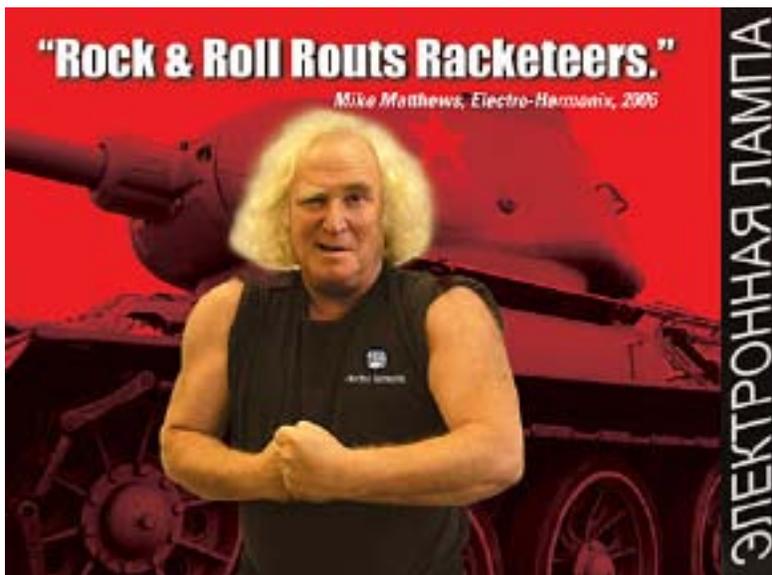
March 29, 2006, boasting to Chinchikov that their efforts would succeed because they had paid off everyone and his mother.

On April 5, Saratov’s Governor Ipatov ordered ExpoPul and RBE to meet at government offices. The next day, just as the Governor was getting electricity restored, the gas was shut off. Another appeal to the Governor got the gas turned back on. Men in leather jackets began loitering outside the factory gates while others

did minor damage to the facility. As a result, on April 7, thousands of workers from ExpoPul and neighboring companies also under siege paraded in front of the Saratov government complex.

Since then, the US Russia Business Council (USRBC) has indicated reluctance to invest in the Saratov region until widespread problems with the raiders have been resolved. On April 18, US Ambassador to Russia William Burns welcomed ExpoPul’s Chinchikov to roundtable talks in Samara to discuss investment opportunities in the Volga region. With Coca Cola, Pepsi, GM, Delphi, Corning, Tenneco, Marriott, Citibank, and Amareda Hess in attendance, Chinchikov read a letter from Matthews warning company representatives of the raiders and the deteriorating investment climate. Russia’s Interior Ministry has opened investigations into the theft of 346 enterprises.

On May 16, one day after an article about the ExpoPul scandal ran in The New York Times, Mike Matthews found time to speak



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with Stereophile. Our phone conversation was sandwiched between interviews with Radio Free Europe, CNBC, Russia's No. 1 business paper Vedomosti, and other media outlets.

New Sensor Corporation and ExpoPul are taking action on many fronts, Matthews explained. He has even bought property adjacent to the ExpoPul factory, in which he is installing his own energy generators. That operation, however, will take another six to eight months to complete.

Meanwhile, Matthews urges audiophiles to express their concern in letters to "Pavel Leonidovich Ipatov, Governor of Saratov, Moskovskaya Str., 72, Saratov 410042, Russia," "Vladimir Vasilyevich Ustinov, General Prosecutor, Russian Federation, B. Dmitrovka Str. Nr. 15a, 125993 Moscow GSP-3, Russia," "Mr. Alexander Vladimirovich Konovalov, Presidential Representative for the Volga Federal District, The Kremlin, Building 1, Nizhniy

Novgorod, 603082, Russia," and "Rashid Nurgaliev, Minister of Internal Affairs, Russian Federation, Ul Zhitnaia 16, 117049 Moscow, Russia."

"People can also send positive letters to President Vladimir Putin," he says. "He's trying to mobilize anti-corruption forces, but the raiders are so pervasive that he needs grassroots support. Putin has stabilized the Russian currency, and gotten rid of the daily racketeer-style murders, but white-collar corruption is so widespread that stopping it is like trying to plug up the dikes in Holland.

"We're confident we'll win. We hope our victory is a catalyst to never give in to racketeers. We need to cure this disease once and for all so that Russia can achieve the prosperity it's destined for. They've got a low population and high education and lots of resources. They just have to get rid of this crap. Putin can't do this by himself—he needs grassroots support. They're fighting rock'n'roll this time."