

Lenta Co-Owner Claims Fraud

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A Lenta store. Luna “conducted a hostile takeover” of Lenta’s main office, Yushenko and Kostygin said Tuesday. **Alexander Zemlianichenko Jr.**

A conflict among shareholders of hypermarket chain Lenta escalated Tuesday as chief executive Sergei Yushenko and board chairman Dmitry Kostygin claimed at a hastily organized news conference that rival chief executive Jan Dunning took control based on a fraudulent document.

The conflict, which intensified in August, is between two shareholder factions. Yushenko is backed by a company called Svoboda, owned by American businessman August Meyer. Another shareholding company, called Luna, backs Dunning, and consists of U.S. equity firm TPG Capital and Russia’s VTB Capital.

The European Bank for Reconstruction and Development, which purchased 11 percent of the company in 2007 for \$125 million, also backs Dunning.

Yushenko and Kostygin said Tuesday that Luna “conducted a hostile takeover” of Lenta’s

main office in St. Petersburg in mid-September and instated Dunning as CEO, relying on improperly formed corporate decision documents.

Luna doesn't agree. "Svoboda continues to make various claims to distract attention from the fact that they seized the operational control of the company against the will of the majority of shareholders and the majority of the board," a TPG spokesman told The Moscow Times.

What is really at stake, sources close to TPG said, is the company's future and development plans. Big words such as "corporate raiding" and "hostile takeover" are aimed at distracting the public's attention from the essence of the conflict, which they said was attempts by Svoboda to place its own man behind the company wheel.

While most of the attacks at the news conference were targeted against TPG, Yushenko and Kostygin expressed bitterness over other shareholders' reluctance to take a stand in the dispute. The EBRD, they said, even suggested that Lenta be sold to avoid a seemingly unsolvable dispute.

EBRD spokesman Richard Wallis said the words were taken out of context. He also said that while an EBRD representative might have mentioned out of frustration the idea of selling the company, during a shareholder meeting held in August in London, it was by no means an official statement.

"We're not a short-term speculative investor, and we do not head for the doors as soon as there is trouble," Wallis said. "We have no interest of exiting the market just when our presence as shareholder is more needed than ever."

With 37 stores in St. Petersburg and an annual turnover of roughly \$1.8 billion, Lenta is a tough competition for other retailers. Despite rumors to the contrary, there are no talks on a possible takeover by the world's largest retailer, U.S.-based Walmart, a source close to Luna said.

Kostygin and analysts said the dispute would have little affect on the overall investment attractiveness of the company. While reputation is important to foreign investors, the fight has had little, if any, effect on Lenta's operations, they said. Analysts believe that a good solution to the conflict would be to find a third neutral candidate, someone other than Dunning or Yushenko. But this is probably easier said than done.

Referring to Dunning, Wallis of EBRD said, "Why would anybody want to replace a CEO who has outperformed the market?"

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