

CEDC Disputes Tariko Claim

By [The Moscow Times](#)

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The Central European Distribution Corporation has disputed claims by Russian billionaire Roustam Tariko, the Polish alcohol holding's largest shareholder, that CEDC's executives are subjects of a U.S. government corruption probe, The Wall Street Journal reported.

In a letter it sent to shareholders late last week, CEDC said that claims made by Tariko that CEDC executives are subjects of a Foreign Corrupt Practices Act investigation are false. CEDC also said Tariko made the claim two days after a failed takeover attempt of the company's operations and finances, according to the paper.

"What you may not be aware of is that Mr. Tariko's letter was published less than 48 hours after the CEDC Board voted 5 to 3 (the 3 being Mr. Tariko and his Board designees) against Mr. Tariko's request that he be given total control over CEDC's operations and finance," according to a letter penned by a special board of directors committee to CEDC's shareholders.

"Despite suggestions in the Russian Standard letter to the contrary, the company is NOT on notice that any of its current executives are under investigation with respect to FCPA

violations or otherwise," the CEDC letter said. "The Company's forthcoming statement on Form 10-Q will contain the correct disclosure regarding FCPA matters, including the fact that it has volunteered information to the authorities ... " the paper quoted the letter as saying.

In October, CEDC disclosed that it had violated provisions of the FCPA, which prohibits improper payments to foreign officials. However, it did not indicate that its executives were being investigated. The special committee of CEDC's board of directors, which does not include Tariko or his representatives, explained why it refused to turn over control of the company's finances to Russian Standard, as Tariko demanded, saying that if Tariko and Russian Standard want full control over CEDC, they have to get approval to raise their stake to 100 percent.

At the moment, Russian Standard has 16.4 percent of CEDC (or a total of 19.5 percent if 3 million shares that have not yet been acquired but to which Russian Standard has the rights are also counted), the special committee wrote.

In July, Russian Standard signed an agreement to merge its business with CEDC on new conditions, including an anticipated adjustment to the Polish company's financials for 2010-2011. According to the latest agreement, Russian Standard could boost its stake in CEDC to 33 percent, and if it secures Polish regulator approval, that stake could be further raised to 42.9 percent.

CEDC is one of the leading producers and distributors of Vodka in Poland, where it owns the brands Zubrowka, Bols and Sopolica. It is also the largest vodka producer in Russia, with the brands Zelenaya Marka, Zhuravli and Parliament. In the third quarter of this year, CEDC saw its revenue drop to \$191.3 million from \$209.6 million a year earlier.

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