

*by Alex Rosenfeld*

On September 10, 2008 just before announcing selling half of the shares to PPF Group with an option of full control over its operations, Eldorado filed for bankruptcy. But the Russian Tax authorities who earlier this year filed a law suit against Eldorado for tax evasion of 600 mln USD in 2004-2005 stepped in to put the deal under investigation on suspicion of a fraud. According to the information coming from the retailer, there are two Eldorados. One is a big “Eldorado-Wholesale” company and another one is the “Eldorado-Management” company that controls and coordinates all its retail stores.

This information appeared together with news that the Igor Yakovlev, the owner of the popular retailer is planning to sell his shares in the management company. Alpha-Group (one of the biggest private financial institution in Russia) was named among the potential

buyers. But a week later it became known that Czech PPF Group took over the control.

According to one of Eldorado's top managers, negotiations with PPF started in July but the final decision was only made in the first days of September. On September 8<sup>th</sup> both parties signed the agreement. Some lawyers believe that in order to get a higher price Eldorado management company wanted to declare its wholesale operation (which accumulated all the debts) as bankrupt. This would also allow the management company to be a bidder for assets in the bankruptcy procedure.

Tax authorities made a swift move by filing a bankruptcy lawsuit on Sept. 8<sup>th</sup> against “Eldorado-Center,” daughter company of the big retailer. This will allow the tax office to control management and accounts. Now it will be more difficult for Eldorado to get bankruptcy protection if the bankruptcy proves to be fraudulent. Among the biggest accounts payables are LG, Indesit and Samsung. Eldorado was founded in 1994 and its retail chain

consists of around 1500 retail stores in Russia, Ukraine and Kazakhstan with the total turnover of 6 bln USD and 30,000 employees.