

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA :

- v. - :

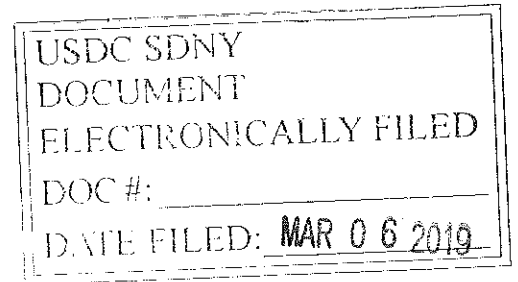
KOLORIT DIZAYN INK LIMITED :
LIABILITY COMPANY :

Defendant. :

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INFORMATION

SI 19 Cr. 167 (JPO)



The United States charges:

GENERAL ALLEGATIONS

Relevant Statutory Background

1. The Foreign Corrupt Practices Act of 1977, as amended, Title 15, United States Code, Sections 78dd-1, *et seq.* (“FCPA”), was enacted by Congress for the purpose of, among other things, making it unlawful to act corruptly in furtherance of an offer, promise, authorization, or payment of money or anything of value, directly or indirectly, to a foreign official for the purpose of obtaining or retaining business for, or directing business to, any person.

2. In relevant part, the FCPA’s anti-bribery provisions prohibit any issuer of publicly traded securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78l, or required to file periodic reports with the United States Securities and Exchange Commission (“SEC”) under Section 15(d) of the Securities Exchange Act, 15 U.S.C. § 78o(d) (hereinafter “issuer”), or affiliated persons, from making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment of money or anything of value to any person while knowing

that all or a portion of such money or thing of value would be offered, given, or promised, directly or indirectly, to a foreign official for the purpose of assisting in obtaining or retaining business for or with, or directing business to, any person. 15 U.S.C. § 78dd-1(a)(3).

3. The FCPA's accounting provisions require that issuers, among other things, make and keep books, records, and accounts that accurately and fairly reflect the transactions and disposition of the company's assets and prohibit the knowing and willful falsification of an issuer's books, records, or accounts. 15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(5), and 78ff(a).

Mobile TeleSystems PJSC, KOLORIT DIZAYN INK Limited Liability Company, and Other Relevant Entities and Individuals

4. The Uzbek Agency for Communications and Information ("UzACI") was an Uzbek governmental entity authorized to regulate operations and formulate state policy regarding communications, information technology, and the use of radio spectrum in Uzbekistan. As such, UzACI was a "department," "agency," and "instrumentality" of a foreign government, as those terms are used in the Foreign Corrupt Practices Act ("FCPA"), Title 15, United States Code, Section 78dd-1(f)(1).

5. KOLORIT DIZAYN INK Limited Liability Company ("KOLORIT") was an advertising company organized under the laws of Uzbekistan. In or around 2009, Uzdunrobita LLC ("Uzdunrobita") acquired KOLORIT. KOLORIT continued to exist as a separate company after Uzdunrobita acquired KOLORIT.

6. During the relevant time period of in or around 2009 through 2012, Mobile TeleSystems PJSC (formerly Mobile TeleSystems OJSC or “MTS”) was a multinational telecommunications company headquartered and incorporated in Russia. MTS maintained a class of securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, *see* Title 15, United States Code, Section 78l, and was required to file periodic reports with the U.S. Securities and Exchange Commission (“SEC”) under Section 15(d) of the Securities Exchange Act, *see* Title 15, United States Code, Section 78o(d). Accordingly, during the relevant time period, MTS was an “issuer” as that term is used in the FCPA. MTS had subsidiaries and engaged in joint ventures in various countries in the territory of the former Soviet Union through which it conducted telecommunications business.

7. In or around 2004, MTS began operating its mobile telecommunications business in Uzbekistan through its subsidiary Uzdunrobota, which was headquartered and organized in Uzbekistan. From in and around 2004 to 2012, MTS held between 74% and 100% of the shares of Uzdunrobota. “Executive 1,” an individual whose identity is known to the United States, was a high-ranking executive of MTS who had authority over MTS’s foreign subsidiaries, including Uzdunrobota and KOLORIT, from in or around 2007 to 2013.

8. “Executive 2,” an individual whose identity is known to the United States, was a high-ranking executive of Uzdunrobota from in or around 2002 to 2012. From in or around 2007 to 2012, Executive 2 reported to Executive 1.

9. “Foreign Official,” an individual whose identity is known to the United States, was a relative of a high-ranking Uzbek government official and an Uzbek government official, including Uzbek Deputy Minister of Foreign Affairs for Cultural Issues and Uzbekistan’s

Ambassador to the United Nations. Foreign Official had influence over decisions made by UzACI. Foreign Official was a “foreign official” as that term is used in the FCPA, Title 15, United States Code, Sections 78dd-1(f)(1)(A). Executive 2 acted as an “agent” of Foreign Official as that term is used in U.S. law.

10. “Shell Company A” was a company incorporated in Gibraltar that was beneficially owned by Foreign Official.

11. “Shell Company B” was a company incorporated in Gibraltar that was beneficially owned by Foreign Official.

12. “Associate A” and “Associate B,” individuals whose identities are known to the United States, were Foreign Official’s close associates.

Overview of the Corruption Scheme

13. From in or around 2004 to 2012, MTS, Uzdurobita, Executive 1, and Executive 2 conspired with others to pay bribes in violation of U.S. law totaling at least \$420,825,848 for the benefit of Foreign Official in order to enter and continue to operate in the Uzbek telecommunications market. Executive 1 and certain other management and employees of MTS and affiliated entities and Executive 2 and certain management and employees of Uzdurobita (hereinafter referred to singularly and collectively as “certain MTS management”) and certain management of KOLORIT understood that they had to make payments to benefit Foreign Official in order to continue to do business in Uzbekistan. During the scheme, conspirators, including Associate A, Associate B, and certain MTS management, used U.S.-based email accounts to communicate with each other and other individuals about the scheme. In addition, MTS and Uzdurobita made and caused to be made numerous corrupt payments that were routed

through transactions into and out of correspondent bank accounts at financial institutions in New York, New York.

14. KOLORIT joined the conspiracy in or around 2009 when MTS and Uzdurobita acquired KOLORIT. Executive 1, Executive 2, and certain MTS management knew that the price paid by MTS and Uzdurobita for KOLORIT was inflated to \$39.6 million in order to compensate Foreign Official in exchange for Uzdurobita continuing to operate in Uzbekistan.

15. In or around 2012, Uzdurobita paid approximately \$1.1 million in bribes in violation of U.S. law to entities related to Foreign Official for purported charities or sponsorships.

16. The last corrupt payment in violation of U.S. law for the benefit of Foreign Official was made no later than in or around May 2012. After that time, MTS, Uzdurobita, and KOLORIT did not satisfy Foreign Official's demands for additional payments. In retaliation, Foreign Official used her influence with the Uzbek government to expropriate Uzdurobita.

The Corruption Scheme

A. Corrupt Payment of \$39.6 Million Through Acquisition of KOLORIT in 2009

17. On or about or about July 20, 2008, Executive 1 emailed certain MTS management a memo stating that “[t]he Third Party [Foreign Official] is making a demand that [MTS] pay \$50 mln . . .” “by acquiring an asset” whose value was “overstated,” which was “unattractive” to MTS’s “development strategy” and whose size would be “impossible to explain to the investment community.”

18. On or about September 19, 2008, Executive 1 sent certain MTS management a slide indicating a \$50 million commitment to Foreign Official for various government benefits.

The slide showed that, after the \$30 million that had previously been paid was taken into account, the remaining balance was “\$20 million.” The slide also contemplated an additional “\$20 million/year” for “assistance in creating favorable conditions for the growth of the company.” Both amounts were followed by the notations, “The basis for payment and the draft agreement are being worked out.” The slide noted that “no scheme exists other than making the payment as a fee for services. Proposing to increase the amount of the contract pertaining to [telecommunications frequencies], with delayed payments.”

19. On or about December 11, 2008, certain MTS management, including Executive 1, received a report about the possible acquisition of KOLORIT. The report noted that KOLORIT was “connected to MTS by a long history of relations” and that it “was created by the same shareholders as Uzdurobita before it.” Uzdurobita had previously been majority owned by a company beneficially owned by Foreign Official. Noting that MTS and KOLORIT had articulated reasons for the acquisition, the report stated that “[i]n my opinion, the main reason [for the acquisition] is the interest of the founders on the Uzbekistani side and certain internal agreements. [KOLORIT] was created and developed exclusively as a result of activities of the founders of Uzdurobita; a clear connection is maintained today as well.” The report further noted that “the reason for the sale of KOLORIT for [KOLORIT]’s ownership is unclear,” that KOLORIT did not need the sale for its development, and that “maybe, there are hidden economic factors that will not be disclosed to an external expert.”

20. On or about April 9, 2009, certain MTS management wrote Executive 1, stating that the KOLORIT “transaction is a toxic one” and that “I think that we need to get the

transaction to [MTS's Investment Committee]. Let [certain MTS management] and the [Investment Committee] members share liability.”

21. On or about July 28, 2009, certain MTS management emailed an executive at a due diligence firm MTS had previously contracted with for due diligence on a different transaction that benefited Foreign Official. The email requested the firm “initiate as quickly as possible an FCPA investigation of the following companies that are participants in [KOLORIT].” Certain MTS management, however, did not disclose certain relevant information to the due diligence firm, including the crucial fact that certain MTS management knew that Foreign Official would benefit from the transaction.

22. On or about August 7, 2009, certain MTS management received a memo from MTS's Department of Strategic Planning for the August 10, 2009 MTS Investment Committee meeting, recommending rejection of the KOLORIT acquisition because the acquisition was not part of MTS's “core business” and the estimate for advertising market development was “not realistic.” The memo explained, “Within [the] framework of qualitative analysis, it's hard to imagine—within [the] framework of this poor country (171st rank in GDP – per capita (PPP) and 185th rank in inflation rate), just one outdoor local advertising company could cost 40 MUSD. This is a pure fairy tale!” Certain internal and external valuations of KOLORIT were significantly less than the recommended purchase price.

23. On or about August 14, 2009, certain MTS management received a report from the due diligence firm explaining that Uzbek corporate records indicated that Associate B and another individual were the shareholders of KOLORIT. The report further noted that Foreign Official and Associate B had various connections, but “[s]ources are unaware if [Associate B]

represents the interests of [Foreign Official] at [KOLORIT].” Although certain MTS management received the report, which stated that rumors that KOLORIT might be beneficially owned by Foreign Official were not considered credible, certain MTS management in fact knew that Foreign Official was the beneficial owner of KOLORIT.

24. On or about September 16, 2009, Executive 1 presented the KOLORIT transaction to MTS’s Board of Directors, which approved it. The Board materials for the meeting included the inflated valuation for KOLORIT and did not disclose that Foreign Official would benefit from the transaction.

25. On or about September 22, 2009, Uzdunrobita, through Executive 2, entered into share purchase agreements with the shareholders of KOLORIT. On or about that same day, September 22, 2009, Uzdunrobita, through Executive 2, and the shareholders of KOLORIT executed statements of transfer and acceptance of equity interest so that MTS and Uzdunrobita could use the acquisition of KOLORIT to compensate Foreign Official in exchange for Uzdunrobita continuing to operate in Uzbekistan. The shareholder of KOLORIT entered into the acquisition so that MTS and Uzdunrobita could compensate Foreign Official in exchange for Uzdunrobita continuing to operate in Uzbekistan. On or about that same day, September 22, 2009, Executive 2, certain MTS management, and certain KOLORIT management executed an amendment to KOLORIT’s charter making MTS and Uzdunrobita KOLORIT’s new owners.

26. On or about September 22, 2009, Uzdunrobita paid the shareholders of KOLORIT a total of approximately \$39,636,711 equivalent in Uzbek som.

27. On or about September 22, 2009, an MTS subsidiary entered into a share purchase agreement with a shareholder of KOLORIT, which was executed by certain MTS management.

28. On or about September 29, 2009, an MTS subsidiary transferred \$17,000 to the Uzbek account of a shareholder in Uzbekistan, through transactions into and out of correspondent bank accounts at financial institutions in New York, New York.

29. On or about November 2, 2009, Executive 1 emailed himself a presentation including an updated copy of the slide referenced in paragraph 18. The slide stated that MTS's \$50 million obligation had been "Paid in full in September 2009," including "through [KOLORIT] acquisition." The presentation also proposed "[t]o tie strictly further execution of our obligations with the partner's [*i.e.*, Foreign Official] ones." The presentation also noted problems with changing Uzdurobita's management, specifically Executive 2, including that there was "[n]o full support from the country's political circles to the change of this kind yet unless the Partner [*i.e.*, Foreign Official] supports" and there would be "[n]o one able to deal with the acquired [KOLORIT]." It also noted that Uzdurobita could lose its "existing currency exchange opportunities" and "the acquired frequencies," or even face the "[r]ecall of the license in some of the regions."

Scheme to Falsify Books and Records

30. As a result of MTS's failure to implement effective internal accounting controls, MTS, acting through its executives and others, disguised on its books and records over \$420 million in bribe payments made for the benefit of Foreign Official in exchange for MTS's and Uzdurobita's ability to enter and continue to operate in the Uzbek telecommunications sector.

31. In relation to the above-described payments, certain MTS management and others used a variety of non-transparent transactions with different false purported business purposes, described above, so that the payments would be inaccurately recorded in MTS's consolidated books and records as legitimate transactions.

32. Certain KOLORIT management, acting with certain MTS management, caused the following payments to be inaccurately recorded in MTS's consolidated books and records:

a. Payments on or about September 22, 2009 for a total of approximately \$39,636,711 equivalent in Uzbek som to the shareholders of KOLORIT.

b. A payment on or about September 29, 2009 for approximately \$17,000 to a shareholder of KOLORIT's account in Uzbekistan.

33. MTS also created, and caused to be created, false records further to conceal these improper payments. The bribe payments were concealed by fake contracts that were intended to create the appearance of legitimacy and were falsely described in Board materials.

STATUTORY ALLEGATIONS

COUNT ONE

(Conspiracy to Violate the FCPA)

34. Paragraphs 1 through 33 of this Information are realleged and incorporated by reference as if fully set forth herein.

35. From at least in or around 2009 up to and including in or around 2012, in the Southern District of New York and elsewhere, KOLORIT, the defendant, together with Executive 1, Executive 2, Associate A, Associate B, MTS, Uzdunrobta, Shell Company A, Shell Company B, KOLORIT, and others known and unknown, willfully and knowingly did combine,

conspire, confederate, and agree together and with each other to commit offenses against the United States, that is, to violate the anti-bribery and books and records provisions of the FCPA.

36. It was a part and object of the conspiracy that KOLORIT, the defendant, together with MTS, being an issuer, Executive 1, Executive 2, Associate A, Associate B, Uzdunrobita, Shell Company A, Shell Company B, and others known and unknown, would and did willfully make use of the mails and means and instrumentalities of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, and authorization of the payment of any money, offer, gift, promise to give, and authorization of the giving of anything of value to a foreign official and to a person, while knowing that all or a portion of such money and thing of value would be and had been offered, given, and promised, directly and indirectly, to a foreign official, for purposes of: (i) influencing acts and decisions of such foreign official in his or her official capacity; (ii) inducing such foreign official to do and omit to do acts in violation of the lawful duty of such official; (iii) securing an improper advantage; and (iv) inducing such foreign official to use his or her influence with a foreign government and agencies and instrumentalities thereof to affect and influence acts and decisions of such government and agencies and instrumentalities, in order to assist MTS in obtaining and retaining business for and with, and directing business to, MTS, Uzdunrobita, and others, in violation of Title 15, United States Code, Section 78dd-1(a).

37. It was further a part and object of the conspiracy that KOLORIT, the defendant, together with MTS, being an issuer, Executive 1, Executive 2, Associate A, Associate B, Uzdunrobita, Shell Company A, Shell Company B, and others known and unknown, would and did knowingly and willfully falsify and cause to be falsified books, records, and accounts

required to, in reasonable detail, accurately and fairly reflect the transactions and dispositions of MTS, in violation of Title 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5), and 78ff(a).

Manner and Means of the Conspiracy

38. The manner and means by which KOLORIT and its co-conspirators sought to accomplish the objects of the conspiracy included, among other things, the following:

a. MTS and its co-conspirators paid approximately \$39.6 million for the acquisition of KOLORIT knowing that the price paid was inflated in order to compensate Foreign Official in exchange for allowing Uzdurobita to continue to operate in Uzbekistan.

b. MTS and its co-conspirators paid approximately \$1.1 million in bribes to entities related to Foreign Official for purported charities or sponsorships in exchange for allowing Uzdurobita to continue to operate in Uzbekistan.

c. MTS, KOLORIT and its co-conspirators falsely recorded in MTS's consolidated books and records the payments listed above in Paragraph 38(a-b).

Overt Acts

39. In furtherance of the conspiracy and to effect the illegal objects thereof, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. On or about September 22, 2009, Uzdurobita transferred approximately 7.8 billion Uzbek som to a shareholder of KOLORIT.

b. On or about September 22, 2009, Uzdurobita transferred approximately 44.2 billion Uzbek som to a shareholder of KOLORIT.

c. On or about September 22, 2009, Uzdurobita transferred approximately 555 million Uzbek som to a shareholder of KOLORIT.

d. On or about September 22, 2009, Uzdurobita transferred approximately 3.145 billion Uzbek som to a shareholder of KOLORIT.

e. On or about September 22, 2009, Uzdurobita transferred approximately 551.25 million Uzbek som to a shareholder of KOLORIT.

f. On or about September 22, 2009, Uzdurobita transferred approximately 3,123,750 Uzbek som to a shareholder of KOLORIT.

g. On or about September 29, 2009, an MTS subsidiary transferred \$17,000 from an account in Russia to the Uzbek account of a shareholder of KOLORIT, which was wired into and out of U.S. correspondent bank accounts located in the Southern District of New York.

(Title 18, United States Code, Section 371.)

FORFEITURE ALLEGATION

40. As a result of committing the offense alleged in Count One of this Information, MTS, the defendant, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28 United States Code, Section 2461(c), any and all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of said offense, including but not limited to a sum of money in United States currency representing the amount of proceeds traceable to the commission of said offense.


Substitute Assets Provision

41. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third person;
- c. has been placed beyond the jurisdiction of the Court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p) and Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of the defendant up to the value of the forfeitable property described above.

(Title 18, United States Code, Section 981(a)(1)(C);
Title 21, United States Code, Section 853(p);
Title 28, United States Code, Section 2461(c))


ROBERT A. ZINK
Acting Chief, Fraud Section


GEOFFREY S. BERMAN
United States Attorney

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

UNITED STATES OF AMERICA

- v. -

KOLORIT DIZAYN INK Limited Liability Company,

Defendant.

INFORMATION

S1 19 Cr. _____

(18 U.S.C. §§ 371 and 2.)

GEOFFREY S. BERMAN

United States Attorney

ROBERT A. ZINK

Acting Chief, Fraud Section, Criminal Division
U.S. Department of Justice

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Filed Information and Waiver of Indictment.

3/6/19

Defendant Kolorit Dizayn Ink LLC present by corporate representative Andrey Kamensky with attorney Gary DiBianco and Lanny A. Breuer; AUSA Edward Imperatore present with Department of Justice counsel Niocola J. Mrazek; Court Reporter present. Defendant is arraigned, sworn and enters a plea of GUILTY to Count 1. PSR is waived. Defendant is sentenced to pay a fine of \$500,000, forfeiture in the amount of \$40,000,000 and a special assessment of \$400. (See transcript for complete details.)

Oetken, J.

Submitted by Bruce Hampton
Courtroom Deputy

