

United States District Court
Southern District of Texas
FILED

NOV 26 2013

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

David J. Bradley, Clerk of Court

13CR 733

UNITED STATES OF AMERICA)
)
 v.)
)
 WEATHERFORD INTERNATIONAL LTD.,)
)
 Defendant.)
 _____)

Criminal No. _____

15 U.S.C. §§ 78m(b)(2)(B),
78m(b)(5), and 78ff(a)

INFORMATION

The United States charges that, at all times relevant to this Information, unless otherwise stated:

GENERAL ALLEGATIONS

The Foreign Corrupt Practices Act

1. The Foreign Corrupt Practices Act of 1977, as amended, Title 15, United States Code, Sections 78dd-1, *et seq.* ("FCPA"), prohibited certain classes of persons and entities from corruptly offering, paying, promising to pay, or authorizing the payment of any money or anything of value, directly or indirectly, to a foreign government official for the purposes of obtaining or retaining business for, or directing business to, any person. The FCPA also required certain entities to maintain accurate books and records and adequate internal accounting controls.

2. In relevant part, the FCPA's anti-bribery provisions prohibited 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”) 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. Pertinent to the charges herein, the FCPA’s accounting provisions required, among other things, that issuers maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions were executed in accordance with management’s general or specific authorization; (ii) transactions were recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets; (iii) access to assets was permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets was compared with the existing assets at reasonable intervals, and appropriate action was taken with respect to any differences. 15 U.S.C. § 78m(b)(2)(B). The FCPA makes illegal the knowing failure by an issuer to implement such a system of internal accounting controls. 15 U.S.C. §§ 78m(b)(5) and 78ff(a).

Relevant WEATHERFORD Entities

4. Defendant WEATHERFORD INTERNATIONAL LTD. (“WEATHERFORD”) was a multinational corporation that provided equipment and services to the oil industry. WEATHERFORD employed more than 50,000 employees and operated in more than 100 countries. Prior to March 2009, WEATHERFORD was incorporated in Bermuda and

headquartered in Houston, Texas, in the Southern District of Texas. As of March 2009, WEATHERFORD was incorporated and headquartered in Switzerland, although it maintained a significant presence in Houston, Texas.

5. From at least in or around 1998 until the filing of this Information, WEATHERFORD issued and maintained a class of publicly traded securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (15 U.S.C. § 78l) and was required to file periodic reports with the U.S. Securities and Exchange Commission (“SEC”) under Section 13 of the Securities Exchange Act (15 U.S.C. § 78m). Accordingly, WEATHERFORD was an “issuer” within the meaning of the FCPA, Title 15, United States Code, Section 78dd-1. WEATHERFORD’s shares traded on the New York Stock Exchange under the symbol “WFT.”

6. WEATHERFORD was a complex organization, comprising more than 500 legal entities.

7. Weatherford Services, Ltd. (“WSL”) was a wholly owned subsidiary of WEATHERFORD and was incorporated in Bermuda. Among other functional responsibilities, WSL managed many of WEATHERFORD’s activities in West Africa. WSL had between 886 employees (in 2005) and 1,298 employees (in 2007). WSL was also subject to WEATHERFORD’s internal accounting controls, and WSL’s financial results were included in the consolidated financial statements that WEATHERFORD filed with the SEC.

8. Weatherford Oil Tool Middle East Limited (“WOTME”) was a wholly owned subsidiary of WEATHERFORD and was incorporated in the British Virgin Islands and headquartered in Dubai. Among other functional responsibilities, WOTME managed most of WEATHERFORD’s activities in North Africa and the Middle East. WOTME was also subject to WEATHERFORD’s internal accounting controls, and WOTME’s financial results were

included in the consolidated financial statements that WEATHERFORD filed with the SEC.

WEATHERFORD's Internal Accounting Controls

9. WEATHERFORD, which operated in an industry with a substantial corruption risk profile, grew its global footprint in large part by purchasing existing companies, often themselves in countries with high corruption risks. Despite these manifest corruption risks, WEATHERFORD knowingly failed to establish effective corruption-related internal accounting controls designed to detect and prevent corruption-related violations, including FCPA violations, prior to 2008.

10. Prior to 2008, WEATHERFORD failed to institute effective internal accounting controls, including corruption-related due diligence on appropriate third parties and business transactions, limits of authority, and documentation requirements. This failure was particularly acute when it came to third parties, including channel partners, distributors, consultants, and agents. WEATHERFORD failed to establish effective corruption-related due diligence on third parties with interaction with government officials, such as appropriately understanding a given third party's ownership and qualifications, evaluating the business justification for the third party's retention in the first instance, and establishing and implementing adequate screening of third parties for derogatory information. Moreover, WEATHERFORD failed to implement effective controls for the meaningful approval process of third parties. WEATHERFORD also did not require, in practice, adequate documentation supporting retention and in support of payments to third parties, such as appropriate invoices and purchase orders.

11. Prior to 2008, WEATHERFORD did not have adequate internal accounting controls and processes in place that effectively evaluated business transactions, including acquisitions and joint ventures, for corruption risks and to investigate those risks when detected.

Moreover, following the establishment of joint ventures and certain other business transactions, WEATHERFORD did not appropriately implement its policies and procedures to ensure an effective internal accounting control environment through proper integration.

12. Prior to 2008, WEATHERFORD also did not have an effective internal accounting control system for gifts, travel, and entertainment. In practice, expenses were not typically adequately vetted to ensure that they were reasonable, bona fide, or properly documented.

13. These issues were exacerbated by the fact that, prior to 2008, a company as large and complex as WEATHERFORD – with its substantial risk profile – did not have a dedicated compliance officer or compliance personnel. Although WEATHERFORD promulgated an anti-corruption policy that it made available on its internal website, it did not translate that policy into any language other than English, and it did not conduct anti-corruption training.

14. Prior to 2008, WEATHERFORD did not have an effective system for investigating employee reporting of ethics and compliance violations. If an employee's ethics questionnaire response indicated an awareness of payments or offers of payments to foreign officials or of undisclosed or unallocated funds, WEATHERFORD did not have a protocol in place to perform any further investigation into the alleged corruption. As a matter of practice, in fact, WEATHERFORD did not conduct additional investigation of such allegations. Prior to 2004, WEATHERFORD did not require any employee to complete any kind of ethics questionnaire.

15. Further, WEATHERFORD lacked effective mechanisms to control its many foreign subsidiaries' activities to ensure that they maintained internal accounting controls adequate to detect, investigate, or deter corrupt payments made to government officials.

Corrupt Conduct

16. Due to WEATHERFORD's failure to implement such internal accounting controls, a permissive and uncontrolled environment existed within WEATHERFORD in which employees of certain of its wholly owned subsidiaries in Africa and the Middle East were able to engage in various corrupt conduct over the course of many years, including both bribery of foreign officials and fraudulent misuse of the United Nations' Oil for Food Program.

17. In one bribery scheme in Africa, employees of a wholly owned subsidiary of WEATHERFORD, WSL, established and operated a joint venture with two local entities controlled by certain foreign officials and their relatives from 2004 through at least 2008. The foreign officials selected the entities with which WSL would partner, and WSL and WEATHERFORD employees knew from the outset of discussions regarding the joint venture that the members of the local entities included foreign officials' relatives and associates.

18. In October 2004, the foreign officials came to WEATHERFORD's headquarters in Houston, Texas, in the Southern District of Texas, to negotiate the terms of the joint venture with employees of WSL and WEATHERFORD. They were not accompanied by the nominal members of either local entity. In July 2005, a WEATHERFORD executive and legal counsel met with the foreign officials in London, England, to negotiate further the terms of the joint venture. Again, the nominal members of the local entities did not accompany the foreign officials.

19. Prior to entering into the joint venture, neither WEATHERFORD nor WSL conducted any meaningful due diligence of either joint venture partner. In July 2005, one of WEATHERFORD's in-house legal counsel, in fact, falsely represented to an outside law firm that the joint venture had been vetted and approved by other outside counsel, when, in fact, no

outside law firm ever conducted such vetting or gave such approval.

20. In September 2006, after the joint venture had been formed and was operational, a high level WEATHERFORD executive called for a meeting with the “‘real’ partners” in the joint ventures: the foreign officials. As a result, he and several other WSL and WEATHERFORD employees met with the foreign officials and their relatives in Paris. WSL arranged and paid for all attendees’ travel and hotel accommodations.

21. Despite the fact that the local entities did not contribute capital, expertise, or labor to the joint venture, neither WSL nor WEATHERFORD investigated why the local entities were involved in the joint venture. The sole purpose of those local entities, in fact, was to serve as conduits through which WSL funneled hundreds of thousands of dollars in payments to the foreign officials controlling them. Prior to the distribution of joint venture dividends, WSL executives knew that foreign officials were directing the distribution of those dividends. For example, in a September 2007 email, a foreign official provided a WSL executive with one of the local entity’s bank account details.

22. In exchange for the payments they received from WSL through the joint venture, the foreign officials awarded the joint venture lucrative contracts, gave WSL inside information about competitors’ pricing, and took contracts away from WSL’s competitors and awarded them to the joint venture.

23. In another bribery scheme in Africa, WSL employees bribed a foreign official so that he would approve the renewal of a contract under which the subsidiary had been providing oil services to another non-governmental company. Local law in that country required that the contract renewal be approved by an instrumentality of the national government.

24. WSL funneled bribery payments to the foreign official with the authority to

approve the contract through a freight forwarding agent it retained via a consultancy agreement in July 2006. Prior to entering into the consultancy agreement with the freight forwarding agent, neither WEATHERFORD nor WSL conducted any anti-corruption due diligence of the agent. Indeed, the agent refused to sign an initial draft of the consultancy agreement prohibiting giving anything of value to a government official.

25. WSL generated sham purchase orders for consulting services the freight forwarding agent never performed, and the freight forwarding agent, in turn, generated sham invoices for those same nonexistent services. When paid for those invoices, the freight forwarding agent passed at least some of those monies on to the foreign official with the authority to approve WSL's contract renewal. In exchange for these payments, the foreign official awarded the renewal contract to WSL in 2006.

26. In another scheme, in the Middle East, from 2005 through 2011, employees of another WEATHERFORD subsidiary, WOTME, awarded improper "volume discounts" to a distributor who supplied WEATHERFORD products to a government-owned national oil company, believing that those discounts were being used to create a slush fund with which to make bribe payments to decisionmakers at the national oil company.

27. At a meeting in 2001, officials at the national oil company had directed WOTME to sell goods to the company through this particular distributor. Prior to entering into the contract with the distributor, neither WOTME nor WEATHERFORD conducted any due diligence on the distributor, despite: (a) the fact that the Distributor would be furnishing WEATHERFORD goods directly to an instrumentality of a foreign government; (b) the fact that a foreign official had specifically directed WOTME to contract with that particular distributor, and (c) the fact that executives at WOTME knew that a member of the country's royal family had an ownership

interest in the distributor.

28. These volume discounts, which provided a five to ten percent discount on each sale of the covered product lines, were not an official contractual item included in any contract between WOTME and the distributor. Managers at the subsidiary were involved in negotiating and approving the volume discounts given to the distributor.

29. In September 2006 correspondence, the president and CEO of the distributor wrote to WOTME managers to reject a proposal that the volume discount should be reduced:

Yes, I agree that we should not risk our relationship with [the national oil company]. However your suggestion will do exactly that; it is not purchasing but our friends who will be directly impacted. They and not purchasing, are in a position to influence the agreement and control the generation, direction and volume of business we and others receive, and as such the volume discount may not be subject to negotiations.

30. Between 2005 and 2011, WOTME paid approximately \$15 million in volume discounts to the distributor. These were recorded in WOTME's general ledger under a heading titled "Volume Discount Account."

31. In another scheme in the Middle East, WEATHERFORD's failure to implement effective internal accounting controls also permitted corrupt conduct relating to the United Nation's Oil for Food Program ("OFFP"). Under the program, the government of Iraq was allowed to sell its oil, so long as the proceeds were used to purchase humanitarian supplies, including but not limited to food, for the Iraqi people. Payments made to the Iraqi government which were not approved by the U.N. and which were outside the strict contours of the OFFP were prohibited. The OFFP continued from in or about December 1996 until the United States' invasion of Iraq on or about March 19, 2003.

32. Beginning in approximately August 2000, the Iraqi government demanded that suppliers of humanitarian goods pay a kickback, usually valued at 10% of the contract price, to

the Iraqi government in order to be awarded a contract by the government. These kickbacks violated U.N. OFFP regulations and U.N. sanctions, which prohibited payments to the Iraqi government which were not expressly approved by the U.N. and which were not contemplated by the guidelines of the OFFP.

33. Between in or about February 2002 and in or about July 2002, WOTME paid approximately \$1,470,128 in kickbacks to the government of Iraq on nine contracts with Iraq's Ministry of Oil, as well as other ministries, to provide oil drilling and refining equipment. WOTME falsely recorded these kickbacks as other, seemingly legitimate, types of costs and fees. Further, WOTME concealed the kickbacks from the U.N. by inflating contract prices by 10%.

34. WOTME managers authorized the kickbacks and signed at least two side letters with the Iraqi government agreeing to pay them. In addition, a WOTME manager personally paid approximately \$18,465 in kickback payments, and was later reimbursed by the subsidiary.

Profits from the Corrupt Conduct in Africa and the Middle East

35. Due to WEATHERFORD's failure to implement internal accounting controls, an environment existed within WEATHERFORD in which employees of certain of its wholly owned subsidiaries in Africa and the Middle East were able to engage in various corrupt business transactions, which conduct earned profits of \$54,486,410, which were included in the consolidated financial statements that WEATHERFORD filed with the SEC.

COUNT ONE
(FCPA—Internal Controls)

36. Paragraphs 1 through 35 of this Information are realleged and incorporated by reference as if fully set forth herein.

37. From in or around 1999 through in or around 2009, within the Southern District of Texas, and elsewhere, defendant WEATHERFORD INTERNATIONAL LTD. knowingly

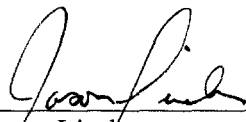
failed to implement a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions were executed in accordance with management's general and specific authorization; (ii) transactions were recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles and any other criteria applicable to such statements, and (II) to maintain accountability for assets; (iii) access to assets was permitted only in accordance with management's general and specific authorization; and (iv) the recorded accountability for assets was compared with the existing assets at reasonable intervals and appropriate action was taken with respect to any differences, *to wit*: WEATHERFORD knowingly: (a) failed to implement, monitor, and impose internal accounting controls and to maintain their effectiveness; (b) failed adequately to train key personnel to implement internal accounting controls to detect and avoid illegal payments and to identify and deter violations of those controls; (c) failed to monitor and control the financial transactions of its subsidiaries, in a manner that provided reasonable assurances that its subsidiaries' transactions were executed in accordance with management's general and specific authorization; (d) failed to monitor and control the financial transactions of its subsidiaries, in a manner that provided reasonable assurances that its subsidiaries' transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and any other criteria application to such statements; (e) failed to maintain a sufficient system for the selection and approval of, and performance of corruption-related due diligence on, third party business partners and joint venture partners, which, in turn, permitted corrupt conduct to occur at subsidiaries; (f) failed to investigate appropriately and respond to allegations of corrupt payments and discipline employees involved in making corrupt payments; (g) failed to take reasonable steps to ensure the company's compliance and ethics program was followed,

including training employees, and performing monitoring to detect criminal conduct; (h) failed to maintain internal accounting controls sufficient to prevent a subsidiary from entering into a joint venture agreement to funnel improper benefits to, and receive preferential treatment from, foreign government officials; (i) failed to maintain internal accounting controls sufficient to prevent a subsidiary from making payments to a channel partner not authorized by contract knowing there was a substantial likelihood that those payments were used to make corrupt payments; and (j) failed to maintain internal accounting controls sufficient to prevent kickbacks paid to the government of Iraq by a subsidiary; all in violation of Title 15, United States Code, Sections 78m(b)(2)(B), 78m(b)(5), and 78ff(a).

Dated:

JEFFREY H. KNOX
CHIEF, FRAUD SECTION
CRIMINAL DIVISION
U.S. DEPARTMENT OF JUSTICE

BY:



Jason Linder
Trial Attorney