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U.S. Securities and Exchange Commission

U.S. SECURITIES AND EXCHANGE COMMISSION

Litigation Release No. 20319 / October 1, 2007

Securities and Exchange Commission v. York International Corporation, 07 CV 01750 (D.D.C.) (RCL)

SEC Files Settled Foreign Corrupt Practices Act Charges Against York International Corporation For Improper Payments to UAE Officials, to Iraq Under the U.N. Oil for Food Program, and to Others - - Company Agrees to Pay Over \$12 Million and to Retain an Independent Compliance Monitor

The Securities and Exchange Commission today filed anti-bribery, internal controls, and books and records charges under the Foreign Corrupt Practices Act against York International Corporation ("York International") in the U.S. District Court for the District of Columbia. York International, a global provider of heating, ventilation, air conditioning, and refrigeration products and services, was acquired by Johnson Controls, Inc. in 2005. The Commission's complaint alleges that York International's Delaware subsidiary paid approximately \$522,500 to an intermediary while knowing that most of the money was intended to bribe United Arab Emirate officials; York International's Dubai subsidiary authorized and made approximately \$647,110 in kickback payments under the U.N. Oil for Food Program; and that York International's subsidiaries devised elaborate schemes to conceal kickback payments of over \$7.5 million made to secure orders on certain commercial and government projects in the Middle East, India, China, Nigeria and Europe.

According to the Commission's Complaint:

In 2003 and 2004, York International's Delaware subsidiary, York Air Conditioning and Refrigeration, Inc. ("YACR") paid approximately \$522,500 to an intermediary while knowing that most of the money was intended to bribe United Arab Emirate officials to secure contracts in connection with the construction of a government-owned luxury hotel called the Conference Palace. Altogether, thirteen illicit payments were made on this project, totaling \$550,000.

In addition, from 2000 to 2003, York International's Dubai subsidiary authorized and made approximately \$647,110 in kickback payments in connection with its sale of humanitarian goods to Iraq under the Oil for Food Program (the "Program"). Although the payments were characterized as "after-sales service fees," no bona fide services were actually performed. The Program provided humanitarian relief to the Iraqi population during the time that Iraq was subject to international trade sanctions. The kickback payments paid in connection with York International's subsidiary's sale of goods were paid by a third party to Iraqi-controlled accounts in countries

such as Jordan.

From 2001 through 2006, York International, through certain subsidiaries, made over \$7.5 million in illicit payments to secure orders on certain commercial and government projects in the Middle East, India, China, Nigeria and Europe. York International's subsidiaries devised elaborate schemes to conceal kickback payments to certain individuals who had enough influence to secure contracts for York International's subsidiaries. These payments were referred to internally as "consultancy payments," however, similar to the payments made under the Oil for Food Program, no bona fide services were performed. A total of 854 improper consultancy payments were made on approximately 774 contracts -- 302 projects involved government end-users, such as government owned companies, public hospitals, or schools.

York International violated the anti-bribery provision by paying bribes to UAE officials to secure business. York International failed to devise and maintain an effective system of internal controls to prevent or detect numerous violations, as shown by: 1) the extent and duration of the illicit payment schemes, 2) the involvement of multiple subsidiaries and numerous managers and employees, and 3) the improper recording of these payments in the books and records. York International failed to accurately record in its books and records the kickbacks that were authorized for payment to Iraq, the bribes in the UAE, and the illicit consultancy payments made in various countries.

York International, without admitting or denying the allegations in the Commission's complaint, consented to the entry of a final judgment permanently enjoining it from future violations of Sections 30A, 13(b)(2)(A), and 13(b)(2)(B) of the Securities Exchange Act of 1934, ordering it to disgorge \$8,949,132 in profits, plus \$1,083,748 in pre-judgment interest, and to pay a civil penalty of \$2,000,000. York International is also ordered to retain an independent compliance monitor. York International will also pay a \$10 million fine pursuant to a deferred prosecution agreement with the U.S. Department of Justice, Fraud Section.

The Commission considered remedial acts promptly undertaken by York International, which self-reported, and cooperation afforded the Commission staff in its continuing investigation. The Commission acknowledges the assistance of the Department of Justice, Fraud Section and the United Nations Independent Inquiry Committee.

► [SEC Complaint in this matter](#)

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