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Three Vetco International Ltd. Subsidiaries Plead Guilty to Foreign Bribery and Agree to Pay \$26 Million in Criminal Fines

Separate Subsidiary Enters into a Deferred Prosecution Agreement Following Cooperation with Justice Department

WASHINGTON – Vetco Gray Controls Inc., Vetco Gray Controls Ltd., and Vetco Gray UK Ltd., wholly owned subsidiaries of Vetco International Ltd., have pleaded guilty to violating the anti-bribery provisions of the Foreign Corrupt Practices Act, or FCPA, Deputy Attorney General Paul J. McNulty announced today.

At a hearing today before U.S. District Judge Lynn N. Hughes in the Southern District of Texas, the companies pleaded guilty to violations of the anti-bribery provisions of the FCPA, as well as conspiracy to violate the FCPA. Additionally, Aibel Group Ltd., another wholly owned subsidiary of Vetco International, simultaneously entered into a deferred prosecution agreement with the Justice Department regarding the same underlying conduct. As part of the plea and deferred prosecution agreements, it was agreed that Vetco Gray Controls Inc., Vetco Gray Controls Ltd., and Vetco Gray UK Ltd. would pay criminal fines of \$6 million, \$8 million, and \$12 million, respectively, for a total of \$26 million. This total fine amount represents the largest criminal fine to date in a FCPA prosecution by the Justice Department.

In the charging and plea documents, Vetco Gray Controls Inc., Vetco Gray Controls Ltd., and Vetco Gray UK Ltd. admitted that they violated and conspired to violate the FCPA in connection with the payment of approximately \$2.1 million in corrupt payments over approximately a two-year period to Nigerian government officials. These corrupt payments were paid through a major international freight forwarding

and customs clearance company to employees of the Nigerian Customs Service, and coordinated largely through Vetco Gray Controls Inc.'s offices in Houston. Additionally, Aibel Group Ltd. agreed in its deferred prosecution agreement to accept responsibility for similar conduct by its employees.

As the charging and plea documents reflect, beginning in February 2001, Vetco Gray UK began providing engineering and procurement services and subsea construction equipment for Nigeria's first deepwater oil drilling project, the Bonga Project. Several Vetco Gray UK affiliates, including Aibel Group Ltd., Vetco Gray Controls Inc., and Vetco Gray Controls Ltd., supplied Vetco Gray UK with employees and manufacturing equipment for the project. From at least September 2002 to at least April 2005, each of the defendants engaged the services of a major international freight forwarding and customs clearing company and, collectively, authorized that agent to make at least 378 corrupt payments totaling approximately \$2.1 million to Nigerian Customs Service officials to induce those officials to provide the defendants with preferential treatment during the customs process.

“This case represents the largest criminal penalty the Department of Justice has ever sought in a Foreign Corrupt Practices case and confirms our commitment to root out corruption,” said Deputy Attorney General McNulty. “The Department of Justice will continue its efforts to assure a level playing field for businesses operating abroad.”

This is the second time since July 2004 Vetco Gray UK has pled guilty to violating the FCPA. On July 6, 2004, Vetco Gray UK, previously named ABB Vetco Gray UK Ltd., and an affiliated company pleaded guilty to violating the antibribery provision of the FCPA in connection with the payment of more than \$1 million in bribes to officials of NAPIMS, a Nigerian government agency that evaluates and approves potential bidders for contract work on oil exploration projects. ABB Vetco Gray UK Ltd. was renamed Vetco Gray UK Ltd. following an acquisition by a group of private equity entities of the upstream oil and gas businesses and assets of its parent corporation, ABB Handels-und Verwaltungs AG (“ABB”). The July 12, 2004 acquisition included the sale of Vetco Gray UK and the predecessors to the two other Vetco International subsidiaries that pleaded guilty today. In anticipation of the July 12, 2004 acquisition, the private equity acquirers requested and the Justice Department issued an FCPA Opinion Release (No. 2004-02) (<http://www.usdoj.gov/criminal/fraud/fcpa/o0402.htm>). The Opinion Release required the acquirers to effectively institute and implement a compliance system, internal controls, training, and other procedures sufficient to have deterred and detected violations of the FCPA, among other obligations. The corrupt payments underlying today's guilty pleas continued unabated from the period prior to the acquisition until at least mid-2005, notwithstanding the acquirer's commitments to the Justice Department under the Opinion Release. The sale to new owners, the prior directives issued by the Department of Justice, and Vetco Gray UK's prior FCPA conviction were all taken into account under the U.S. Sentencing Guidelines in calculating the \$12 million criminal fine against Vetco Gray UK Ltd.

The resolution of the criminal investigation of Vetco International and its subsidiaries resulted, in large part, from the actions of Vetco International in voluntarily disclosing the matter to the Justice Department and Vetco International's subsidiaries' agreement to take significant remedial steps. In addition to the criminal fines, the plea agreements also require the defendants to: (1) hire an independent monitor to oversee the creation and maintenance of a robust compliance program; (2) undertake and complete an

investigation of the companies' conduct in various other countries as originally required under FCPA Opinion Release No. 2004-02; and (3) ensure that in the event that any of the companies are sold, the sale shall bind any future purchaser to the monitoring and investigating obligations.

The criminal case is being prosecuted by Deputy Chief Mark F. Mendelsohn and Trial Attorney Stacey Luck of the Fraud Section, with assistance from Assistant United States Attorney James R. Buchanan from the United States Attorney's Office for the Southern District of Texas.

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