

United States v. Pride International Inc. (S.D. Tex. 2010) United States v. Pride Forasol S.A.S. (S.D. Tex. 2010)

Nature of the Business.

Pride International Inc. ("Pride International"), a Delaware corporation, owns and operates numerous oil and gas drilling rigs throughout the world. Pride Forasol S.A.S. ("Pride Forasol") is its French subsidiary.

Influence to be Obtained.

In 2003, Pride Forasol created and Pride International paid false invoices through which funds were paid into Dubai bank accounts in the names of unidentified third parties with the intent that they would be passed on to judges of the Customs, Excise, and Gold Appellate Tribunal in India, an administrative judicial tribunal. That bribe of \$500,000 led to a favorable ruling for Pride's Indian subsidiary relating to a litigation matter involving the payment of customs duties and penalties, resulting in an estimated financial gain of \$10 million.

In 2004, Pride International agreed to pay approximately \$10,000 to a Mexican marketing agent with the intent that the money would be passed to officials in the Mexican customs service, to avoid taxes and penalties for alleged violations of Mexican customs regulations.

From 2003 to 2004, Pride International agreed to pay bribes totaling \$294,000 to officials and members of the Board of Directors of Petróleos de Venezuela S.A. ("PDVSA") through a Venezuelan intermediary who owned a company that provided catering services to Pride's Venezuelan subsidiary. Through these payments, Pride International was able to secure contract extensions, resulting in profits of \$3,046,000.

After discovering this conduct during a routine audit, Pride International voluntarily disclosed it to the DOJ and SEC. During the course of its cooperation, Pride International provided information and substantially assisted in the investigation of Panalpina World Transport (Holding) Ltd. ("Panalpina"), an international freight forwarder that has since admitted to paying bribes to foreign officials in at least seven different countries.

Enforcement.

On November 4, 2010, the DOJ and Pride International entered into a deferred prosecution agreement ("DPA"), under which Pride International agreed to pay a penalty of \$32.625 million, review and revise its existing internal controls, policies, and procedures, and provide a yearly report to the DOJ on the remediation and implementation of its compliance program for three years.

Also on November 4, 2010, Pride Forasol pleaded guilty to a criminal information the government filed the same day, which charged Pride Forasol with conspiring to and violating the anti-bribery provisions of the FCPA; and with conspiring to violate and aiding and abetting the violation of the books-and-records provision of the FCPA. This plea agreement, relating only to the transactions in India, was part of Pride International's DPA, above, and Pride Forasol agreed to pay a penalty of \$32.625 million.

Under the plea agreement, Pride Forasol will assist Pride International with providing annual compliance reports to the DOJ. Under the DPA, any amount paid by Pride Forasol will be deducted from the amount imposed on Pride International.

Pride International settled related charges with the SEC on November 4, 2010.

Also on November 4, 2010, Panalpina settled related charges with the SEC and DOJ. Three of Panalpina's customers in the oil exploration and production industry also pleaded guilty to and settled related charges with the DOJ and SEC on the same day.

Key Facts

Citation. *United States v. Pride Int'l, Inc.*, No. 4:10-cr-770 (S.D. Tex. 2010); *United States v. Pride Forasol S.A.S.*, No. 4:10-cr-771 (S.D. Tex. 2010).

Date Filed. November 4, 2010.

Country. India; Mexico; Venezuela.

Date of Conduct. 2003 – 2004.

Amount of the Value. Approximately \$800,000.

Amount of Business Related to the Payment. Approximately \$13 million.

Intermediary. Subsidiary; Agent.

Foreign Official. Officials and members of the Board of Directors of PEDVSA, a Venezuelan state-owned oil company; Judges of the Customs, Excise, and Gold Appellate Tribunal in India; Customs Administrator Operations Assistant for the Mexican customs.

FCPA Statutory Provision.

- **Pride Int'l.** Conspiracy; Anti-Bribery; Books-and-Records.
- **Pride Forasol.** Conspiracy; Anti-Bribery; Aiding and Abetting (Books-and-Records).

Other Statutory Provision. None

Disposition.

- **Pride Int'l.** Deferred Prosecution Agreement.
- **Pride Forasol.** Plea Agreement.

Defendant Jurisdictional Basis.

- **Pride Int'l.** Issuer.
- **Pride Forasol.** Territorial Jurisdiction; Conspiracy; Aider and Abettor.

Defendant's Citizenship.

- **Pride Int'l.** United States.
- **Pride Forasol.** France.

Total Sanction. \$32,625,000.

Compliance Monitor/Reporting Requirements. Reporting Requirements.

Related Enforcement Actions. *SEC v. Pride Int'l, Inc.*

Total Combined Sanction. \$56,125,000.