

El Paso Corporation

Case ID:

ST-146

Case Cluster :

El Paso Corporation

Jurisdiction of Settlement:

United States

Jurisdiction of Settlement / Enforcement Agency:

Securities and Exchange Commission

Jurisdiction of Foreign Public Official(s) :

Iraq (UN Oil-for-Food)

Year of Settlement:

2007

Month/Day of Settlement (or Notes):

02/07

Other Jurisdictions of Settlement:

Unknown

Settlement with Individual or Legal Person?:

Legal Person

Type of Settlement:

Civil

Legal Form of Settlement:

Consent to Permanent Injunction

Monetary Sanctions (Types):

Disgorgement of Profits, Civil Penalty

Total Monetary Sanctions (US\$):

\$2,250,000.00

Civil Disgorgement of Profits (US\$) :

\$0

Civil Prejudgment Interest (US\$) :

\$0

Civil Fine / Penalty (US\$):

\$2,250,000

Monetary Sanctions Returned / Ordered Returned (US\$):

\$0

UNCAC Articles(s) Implicated:

Art.16

Art.26

OECD Anti-Bribery Convention Articles Implicated:

Art. 1, Art. 2, Art. 8

Offenses - Alleged:

Faliure to Maintain Books and Records, Internal Controls Violations

Offenses - Settled:

No admission or denial of alleged offenses

Public Procurement Contract / SOE Involved?:

Yes

Summary:

According to the US Securities and Exchange Commission Litigation Release, the Commission filed a settled complaint on February 7, 2007, which alleged "that from approximately June 2001 through June 2002, El Paso, and its predecessor in-interest The Coastal Corporation, indirectly made approximately \$5.5 million in illegal surcharge payments to Iraq in connection with its purchases of crude oil from third parties under the U.N. Oil for Food Program. The Program was intended to provide humanitarian relief for the Iraqi population, which faced severe hardship under international trade sanctions. However, beginning in August 2000, officials of Iraqi State Oil Marketing Organization, began demanding illegal kickbacks. The kickbacks were made in the form of surcharges, and were sent to Iraqi-controlled accounts at banks in Jordan and Lebanon. [] El Paso, 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 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934, ordering it to disgorge \$5,482,363 in profits, and to pay a civil penalty of \$2,250,000. El Paso will satisfy its disgorgement obligation by forfeiting \$5,482,363 pursuant to a non-prosecution agreement with the U.S. Attorney's Office for the Southern District of New York." (Source: US Securities and Exchange Commission Litigation Release No. 19991 / February 7, 2007, Securities and Exchange Commission v. El Paso Corporation, Civil Action No. 07CV00899 (S.D.N.Y.), "SEC Files Settled Books and Records and Internal Controls Charges Against El Paso Corporation For Improper Payments to Iraq Under the U.N. Oil for Food Program - - Company Agrees to Pay \$7.7 Million.") Please note that the Disgorgement penalty has not been noted in this entry as it is already noted in the El Paso criminal case settlement.

Sources :

US Securities and Exchange Commission Litigation Release No. 19991 / February 7, 2007, Securities and Exchange Commission v. El Paso Corporation, Civil Action No. 07CV00899 (S.D.N.Y.), "SEC Files Settled Books and Records and Internal Controls Charges Against El Paso Corporation For Improper Payments to Iraq Under the U.N. Oil for Food Program - - Company Agrees to Pay \$7.7 Million," accessed at <http://www.sec.gov/litigation/litreleases/2007/lr19991.htm>; Complaint filed February 7, 2007, accessed at <http://www.sec.gov/litigation/complaints/2007/comp19991.pdf>