

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 82185 / November 30, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-17582

In the Matter of

Weatherford International PLC, f/k/a
Weatherford International LTD.,
James Hudgins, CPA, and Darryl
Kitay, CPA

Respondents.

ORDER CONSOLIDATING FAIR
FUNDS

ADMINISTRATIVE PROCEEDING
File No. 3-17628

In the Matter of

Ernst & Young LLP, Craig R.
Fronckiewicz, CPA, and Sarah E.
Adams, CPA

Respondents.

On September 27, 2016, the Commission issued a settled order (“Weatherford Order”)¹ against Weatherford International PLC, f/k/a Weatherford International LTD (“Weatherford”), James Hudgins, CPA (“Hudgins”), and Darryl Kitay, CPA (“Kitay”) (collectively, the “Weatherford Respondents”). The Commission found that, between 2007 and 2012, Weatherford, a large multinational provider of oil and natural gas equipment and services, issued false financial statements that inflated its earnings by over \$900 million in

¹ See Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 4C and 21C of the Securities Exchange Act of 1934, and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, Securities Act Rel. No. 10221 (Sept. 27, 2016).

violation of U.S. Generally Accepted Accounting Principles. Weatherford issued materially false and misleading statements about its net income, earnings per share, effective tax rate, and other key financial information. Weatherford did not have sufficient internal accounting controls to identify and properly account for its accounting of income taxes throughout the relevant period.

On October 18, 2016, the Commission issued a settled order (“Accounting Order”)² against Ernst & Young LLP (“Ernst & Young”), Craig R. Fronckiewicz, CPA, and Sarah E. Adams, CPA (collectively, the “Accounting Respondents” and together, with the Weatherford Respondents, the “Respondents”) for their roles in the conduct described in the Weatherford Order while serving as the external auditor, coordinating (*i.e.*, signing) partner, and tax partner for Weatherford, respectively.

As a result of the conduct described in the Weatherford Order and the Accounting Order (collectively, the “Orders”), the Commission found, respectively, that Weatherford violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder; Hudgins willfully violated Section 17(a) of the Securities Act and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5(a), 10b-5(c), (c), 13b2-1, and 13b2-2 promulgated thereunder; Kitay willfully violated Section 17(a) of the Securities Act and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5(a), 10b-5(c), and 13b2-1 promulgated thereunder; and Hudgins and Kitay caused Weatherford’s violations and willfully violated the federal securities laws or rules and regulations thereunder pursuant to Section 4C of the Exchange Act and Rule 102(e)(1)(iii) of the Commission’s Rules of Practice; and, the Accounting Respondents

² See Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, Exchange Act Rel. No. 79109 (Oct. 18, 2016).

engaged in improper professional conduct within the meaning of Sections 4C(a)(2) and 4C(b)(2) of the Exchange Act and Rules 102(e)(1)(ii) and 102(e)(1)(iv)(B) of the Commission's Rules of Practice and caused Weatherford's violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder. The Commission ordered the Weatherford Respondents to pay a total of \$140,364,067.00 in disgorgement, prejudgment interest, and civil money penalties; and ordered Ernst & Young to pay a total of \$11,840,107.00 in disgorgement, prejudgment interest, and a civil money penalty. In each of the Orders, the Commission created a Fair Fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, for the monies ordered.

The Respondents have paid a total of \$152,204,174.00 in disgorgement, prejudgment interest, and civil money penalties, as ordered, into the respective Fair Funds. The Fair Funds are currently on deposit in interest bearing accounts at the United States Department of Treasury.

The Division of Enforcement recommends that the Fair Funds created pursuant to the Orders be consolidated into a single Fair Fund for the purposes of distributing the funds for the benefit of the investors harmed by the conduct described in the Orders.

Accordingly, IT IS HEREBY ORDERED that the assets of the Fair Funds created pursuant to the Orders, and any interest accrued on those assets, are consolidated into a single Fair Fund for distribution to harmed investors.

By the Commission.

Brent J. Fields
Secretary