

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

U.S. SECURITIES AND EXCHANGE
COMMISSION,
100 F. Street, NE
Washington, D.C. 20549-6030

Plaintiff,

v.

INGERSOLL-RAND COMPANY LIMITED
Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

Defendant.

Case: 1:07-cv-01955
Assigned To : Bates, John D.
Assign. Date : 10/31/2007
Description: General Civil

COMPLAINT

Plaintiff, U.S. Securities and Exchange Commission (the "Commission"), alleges:

SUMMARY

1. From approximately 2000 through 2003, Ingersoll-Rand Company Limited ("Ingersoll-Rand") violated the books and records and internal controls provisions of the Foreign Corrupt Practices Act (the "FCPA") [15 U.S.C. §§ 78dd-1, et seq.] when its subsidiaries entered into contracts involving approximately \$1,507,845 in kickback payments in connection with sales of industrial equipment to Iraqi government entities under the United Nations Oil for Food Program. On some of these contracts, Ingersoll-Rand, through its subsidiaries, authorized or paid these kickbacks in the form of under-the-table "after sales service fees" ("ASSF"). On other contracts, the ASSF payments were made either by distributors or third parties. Ingersoll-Rand knew or was reckless in not knowing that the kickbacks were paid or agreed to. And it knew that the

ASSF payments were prohibited by the Oil for Food Program, as well as under U.S. and international trade sanctions.

2. Ingersoll-Rand also violated the books and records and internal controls provisions of the FCPA when its Italian subsidiary I-R Italiana paid travel and hotel expenses for eight Iraqi government officials to visit Italy for six nights, a portion of which included a factory tour and training, and the remainder holiday travel. In addition I-R Italiana provided the officials with a total of \$8,000 in “pocket money.”

3. The Oil for Food Program was intended to provide humanitarian relief to the Iraqi population, then subject to comprehensive international trade sanctions. The Program allowed the Iraqi government to purchase necessary humanitarian goods, but required that all purchases be made through a U.N.-controlled escrow account. The kickbacks paid in connection with Ingersoll-Rand’s Oil for Food contracts had the effect of diverting funds out of the escrow account and into an Iraqi slush fund.

4. In accounting for certain of its Oil for Food Program transactions, Ingersoll-Rand failed to accurately record the nature of the ASSF payments as kickbacks to the Iraqi regime. Ingersoll-Rand also failed to devise and maintain a system of internal accounting controls sufficient to detect and prevent the illicit ASSF payments.

5. As a result of the conduct above, Ingersoll-Rand violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

JURISDICTION

6. This Court has jurisdiction over this action under Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa]. Ingersoll-Rand,

directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

7. Venue is appropriate in this Court under Section 27 of the Exchange Act [15 U.S.C. § 78aa] because Ingersoll-Rand does business in this judicial district.

DEFENDANT

8. Ingersoll-Rand is a Bermuda company with its executive offices in Montvale, New Jersey, and Davidson, North Carolina. Ingersoll-Rand is a global diversified industrial firm that provides industrial equipment and products and services to transport food and perishables, and secure homes and commercial properties. Four Ingersoll-Rand subsidiaries sold goods to Iraq under the Oil for Food Program. Ingersoll-Rand's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act [15 U.S.C. § 78l(b)] and is traded on the New York Stock Exchange under the symbol "IR."

RELEVANT ENTITIES

9. **ABG Allgemeine Baumaschinen-Gesellschaft mbH** ("ABG") was a wholly-owned German subsidiary of Ingersoll-Rand. During the relevant time, ABG manufactured and sold road construction equipment, including pavers, and compactors.

10. **Ingersoll-Rand Italiana, SpA**. ("I-R Italiana") is a wholly-owned Italian subsidiary of Ingersoll-Rand. I-R Italiana manufactures and sells large air compressors under the brand name Centac for use in oil refineries. Its principal manufacturing facility is in Vignate, Italy.

11. **Thermo King Ireland Limited** (“Thermo-King Europe”) is a wholly-owned Irish subsidiary of Ingersoll-Rand. Thermo-King Europe manufactures and sells refrigeration equipment for trucks, buses, and rail cars.

12. **Ingersoll-Rand Benelux, N.V.** (“I-R Benelux”) is a wholly-owned Belgian subsidiary of Ingersoll-Rand. I-R Benelux manufactures and sells skid steer loaders and other compact construction vehicles.

13. **Ingersoll-Rand World Trade Ltd.** (“IRWT”), based in Fribourg, Switzerland, was during the relevant period a trading subsidiary of Ingersoll-Rand. IRWT handled contract administration for many of Ingersoll-Rand’s manufacturing subsidiaries, including transactions involved in the Oil for Food Program. IRWT’s responsibilities included obtaining U.N. authorization for Oil for Food contracts and obtaining export control permits.

FACTS

I The United Nations Oil for Food Program

14. Following Iraq’s invasion of Kuwait in 1991, the United Nations Security Council and the United States imposed comprehensive economic sanctions on Iraq. Over the following years, the sanctions triggered a humanitarian crisis, with severe shortages of food and medical supplies. In response, the U.N. Security Council authorized a relief program under which the Iraqi government would be permitted to sell crude oil and use the proceeds to purchase humanitarian supplies.

15. Under the terms of the Oil for Food Program, the Iraqi government was authorized to sell crude oil to buyers of its choosing. A U.N. committee reviewed the commercial terms of each contract and approved each sale. The proceeds were wired by

23. After discussing the matter with ABG's Sales Manager and seeking advice from outside counsel, ABG, through the trading company IRWT, attempted to go forward with the Baghdad Mayoralty transactions. They submitted the contracts for U.N. approval with a short statement on a cover letter that each contract "includes 10% working capital to be given as a rebate to [the] Baghdad Mayoralty." After receiving questions from the U.N., ABG later admitted that the 10% amount represented a cash payment to the Iraqi Ministry. The U.N. officials advised that the payments were not allowed under Security Council resolutions and had to be eliminated from the contracts. Ultimately, the Baghdad Mayoralty refused to go forward with the contract without the 10% payment, and the contracts were never concluded.

24. Under these circumstances, senior officials at Ingersoll-Rand's corporate headquarters, ABG, and IRWT, were on notice that Iraqi government officials were demanding cash kickbacks on Oil for Food contracts and that such ASSF payments were prohibited under U.N. Security Council resolutions and, by extension, U.S. and international trade sanctions.

25. Ingersoll-Rand did not withdraw from participation in the Oil for Food Program. Nor did it conduct appropriate due diligence to prevent the payment of ASSF payments under future Oil for Food contracts. Indeed, in the year following termination of the Baghdad Mayoralty transactions, ABG's Sales Manager negotiated four more Oil for Food contracts on ABG's behalf. This latter group of contracts was entered into on an indirect, or distributorship, basis, with knowledge that the goods would be resold into Iraq.

51. By reason of the foregoing, Ingersoll-Rand violated Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)].

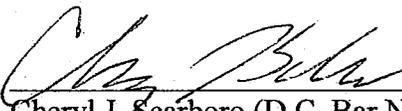
PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a final judgment:

- A. Permanently restraining and enjoining Ingersoll-Rand from violating Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and (B)];
- B. Ordering Ingersoll-Rand to disgorge ill-gotten gains, with prejudgment interest, wrongfully obtained as a result of its illegal conduct;
- C. Ordering Ingersoll-Rand to pay civil penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and
- D. Granting such further relief as the Court may deem just and appropriate.

Dated: Oct. 31, 2007

Respectfully submitted,


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