



level employees of Kazakhoil to approve the award of the closed tender to Baker Hughes. The agent was hired even though Baker Hughes did not need any legitimate services from an agent at this late juncture in the tender process as its bid had been submitted approximately seven months prior and it was just then awaiting for the business to be awarded; Baker Hughes already understood it was to be recommended the contract by the tendering group, a consortium of oil companies called Karachaganak Integrated Organization (“KIO”); agents were not legally required for such tenders in Kazakhstan; and Baker Hughes had conducted no due diligence as to the agent’s background, competence or track record. In fact, Baker Hughes failed to conduct any meaningful due diligence on the agent until more than two years after its retention, after approximately \$2.5 million had already been paid to the agent.

3. Baker Hughes retained the agent principally at the urging of Roy Fearnley, a Baker Hughes business executive located in Kazakhstan, who also was Baker Hughes’ primary coordinator for its bid on the Karachaganak tender. Fearnley told his bosses that the “agent for Kazakhoil” told him that unless the agent was retained, Baker Hughes could “say goodbye to this and future business.” Recognizing the urgency of the situation, Fearnley sought and obtained the approvals from senior executives across several operating divisions of Baker Hughes to engage the agent.

4. Baker Hughes was awarded the Karachaganak contract in October 2000, and it generated \$219.9 million in gross revenues from 2001 through 2006. From May 2001 to November 2003, Baker Hughes made twenty-seven commission payments to the agent’s London bank account totaling over \$4.1 million. Of that amount, Baker Hughes paid approximately \$2.3 million on its own behalf with the balance of \$1.8 million paid by Baker Hughes on behalf of its subcontractors. Baker Hughes received no identifiable services from the agent in exchange for such commission payments.

5. Baker Hughes retained a second agent in Kazakhstan in 1998, and made commission payments to the agent from July 1998 to April 1999. A senior official and a Country Manager of a Baker Hughes' wholly-owned operating subsidiary authorized payments to this agent to influence acts and decisions by foreign officials in Kazakhstan for the benefit of Baker Hughes. The commission payments to the agent's company were made at the direction of a high-ranking executive of KazTransOil, Kazakhstan's national oil transportation company, who was therefore in a position to influence or determine the award of a chemical contract obtained by Baker Hughes. Baker Hughes paid agent commissions of nearly \$1.1 million, reflecting a commission of approximately 30% on gross revenues on the contract of more than \$3.2 million. Baker Hughes retained the agent without having conducted any due diligence at all as to its background, competence or track record.

6. Between 1998 and 2005, Baker Hughes also made payments in Kazakhstan and other countries either to agents or to other individuals, including public officials, in circumstances that reflected a failure to implement sufficient internal controls to determine whether the payments were for legitimate services, whether the payments would be shared with government officials, or whether these payments would be accurately recorded in Baker Hughes' books and records. Examples include, but are not limited to, the following: (1) in Angola, from 1998 to 2003, Baker Hughes paid an agent more than \$10.3 million in commissions under circumstances in which the company failed to adequately assure itself that such payments were not being passed on to employees of Sonangol, Angola's state-owned oil company, to obtain or retain business in Angola; Baker Hughes also failed to conduct any meaningful due diligence into the background of this agent; (2) in Nigeria, a Baker Hughes operating subsidiary made a payment to a tax consultant in 2001 under circumstances in which it failed to make an adequate inquiry to determine whether all or a part of such payment was to be funneled to a Nigerian

government official (the payment was also inaccurately recorded in the company's books and records); (3) in Indonesia, between 2000 and 2003, Baker Hughes paid certain freight forwarders to import equipment into Indonesia using a "door-to-door" process under circumstances in which the company failed to adequately assure itself that such payments were not being passed on, in part, to Indonesian customs officials; (4) Baker Hughes authorized payments to a company in Kazakhstan for an option to lease a parcel of land in connection with another oil services contract bid while knowing that a high-ranking executive of the Kazakhstan national oil company had a direct or indirect interest in the company; moreover, the payee company was controlled, directly or indirectly, by the principal of the same agent to which Baker Hughes improperly agreed to make payments back in 2000 for the Karachaganak project; (5) in Nigeria, between at least 2001 and 2005, Baker Hughes authorized payments to certain customs brokers to facilitate the resolution of alleged customs deficiencies under circumstances in which the company failed to adequately assure itself that such payments were not being passed on, in part, to Nigerian customs officials; and (6) from 1998 to 2004, Baker Hughes authorized commission payments of nearly \$5.3 million to another agent (who worked in Kazakhstan, Russia and Uzbekistan) under circumstances in which the company failed to determine whether such payments were, in part, to be funneled to government officials in violation of the FCPA.

7. By making these payments, Baker Hughes violated the Foreign Corrupt Practices Act of 1977 (the "Foreign Corrupt Practices Act" or "FCPA") as incorporated into the federal securities laws as Sections 30A, 13(b)(2)(A), 13(b)(2)(B) of the Securities Exchange Act of 1934 ("Exchange Act"), and also violated Section 13(b)(5) of the Exchange Act.

8. In addition, by authorizing and directing these payments, Roy Fearnley violated the FCPA as incorporated into the federal securities laws as Sections 30A, and aided and abetted





















invoiced by Baker Hughes on certain Kazakhstan projects, and specifically *excluded* the Karachaganak and other projects. The Sales Representation Agreement was executed on a pre-2000 form that did not include Baker Hughes' recently revised FCPA language. As noted above (in paragraph 31), Baker Hughes' obligation to pay the agent a 2% commission on the Karachaganak project was covered by a separate side letter also dated September 1, 2000 and sent by e-mail to the agent on September 26, 2000.

36. On or about October 4, 2000, the VP of Marketing told one of Baker Hughes' two most senior attorneys that the company planned to hire an agent in connection with the Karachaganak project and that the legal department should follow up with Fearnley to get the details. The senior attorney then forwarded to Fearnley a copy of the Company's revised standard FCPA documentation that had been adopted in January 2000. These included standard forms of an agent's contract, an agent's questionnaire, a questionnaire on the agent's references and a certification for the agent to execute. The senior attorney also asked whether the new procedures had been followed. Fearnley responded that he would attempt to substitute an agreement using the new, approved, form, and added: "There are still some issues such as a Dun and Bradstreet search to be done but I will follow all the issues as notified and advise you if we have any issues not in compliance with the thorough documents and procedures received."

37. Fearnley failed to follow any of the FCPA procedures issued to him by Baker Hughes' legal department. Baker Hughes' legal department otherwise failed to follow up with Fearnley. No one else at the Company verified whether or not the revised FCPA procedures had been followed. Neither Fearnley, nor anyone else at Baker Hughes, conducted any meaningful due diligence with respect to the agent until 2003. In March 2003, Fearnley alerted the agent's principal to the impending due diligence process, claiming that Fearnley himself would be "in sole charge of the process and business justification." It was only during these due diligence







that Baker Hughes' agent on the Karachaganak project was aware that the KIO was evaluating a bid from the subcontractor, and expressed an interest in representing the subcontractor on the same terms as it had with Baker Hughes on the Karachaganak project. No information was provided to the subcontractor as to how an Isle of Man company knew what bids were being evaluated by the KIO. The agent's principal followed up on Fearnley's message by forwarding on May 28 a draft agency agreement to the subcontractor's business development manager, who then forwarded it to a senior executive for the division responsible for the tender.

44. On June 14, 2002, the agent's principal contacted the division senior executive directly to find out which specific tenders the subcontractor was then bidding on with the KIO. Two days later, on Sunday, June 16, the senior executive responded by e-mail with reference numbers for its two bids, requested that the agent's principal provide a status update on the tenders, and requested a further discussion with the agent as to how it could assist on one or both of the projects. During the week of June 17, 2002, before the agent's principal responded to the senior executive, KIO contract management informed the subcontractor that it had been recommended for the project and that the details were being sent to KIO senior management for approval.

45. On July 9, 2002, three weeks after the subcontractor learned it had been recommended for the project, the agent's principal responded by e-mail to the senior executive's June 16 message, expressing that "the contract in question appears to be for Nitrogen/Helium leak testing services over a 2 year period." With no further communication between the agent and the subcontractor, the subcontractor was formally awarded the tender on July 12, 2002. On July 18, 2002, the senior executive at the subcontractor e-mailed the agent that because it had already been awarded the subject tender, they would not be requiring the agent's assistance on the project.



KazTransOil, the national oil transportation operator of the Republic of Kazakhstan. In that capacity, the executive was in a position to award business to Baker Hughes.

49. Baker Hughes' wholly-owned subsidiary Baker Petrolite generally specializes in selling chemicals, such as corrosion inhibitors, used in oil services processes. In early 1998, Baker Petrolite (through a foreign subsidiary) was seeking to enter into a large chemical contract with KazTransOil. Before the agreement could be finalized, a Baker Petrolite District Manager learned that the contract was being delayed by KazTransOil. Shortly thereafter, the District Manager was contacted by an individual who purported to act on behalf of a company ("FT Corp."), who offered to act as Baker Petrolite's agent in connection with the chemical contract.

50. The District Manager informed his supervisor that Baker Petrolite was under pressure to hire FT Corp. as Baker Petrolite's agent for fear that if it was not hired, the contract could have been awarded to a competitor. Although Baker Petrolite already had an agent assisting with chemical contracts in Kazakhstan, Baker Petrolite hired FT Corp. as its agent for the contract. Neither Baker Petrolite nor anyone at Baker Hughes conducted any due diligence with respect to FT Corp., or the individual who purported to work on its behalf, either before or after the engagement.

51. The agency agreement Baker Petrolite signed with FT Corp. was limited to a single page. The agreement contained no reference to the FCPA. Under the terms of the agreement, Baker Petrolite agreed to pay a commission to FT Corp., wired to a Swiss bank account, based on the cost per ton that the agent negotiated above the set price that Baker Petrolite established for the sale to KazTransOil. In exchange for this commission, the agent was to carry out "laboratory and field experiments" to demonstrate the suitability of Baker Petrolite's corrosion inhibitor in the marketplace, carry out "marketing functions" to sell the chemical reagent, and to assist in getting a contract signed for not less than a fixed supply of the chemical



Angola's state-owned oil company, to obtain or retain business in Angola. In addition, between 1999 and 2002, Baker Hughes paid in excess of \$1.2 million to another Angolan agent whose principal, Baker Hughes later learned when it conducted appropriate due diligence, was then the brother of a senior-level Sonangol employee.

#### **Angolan Agent No. 1**

55. Baker Hughes inherited its agency relationship with "Angolan Agent No. 1," a dual citizen of Angola and Portugal, from the Western Geophysical division of Western Atlas Corporation ("Western Geo"). Prior to becoming an operating division of Baker Hughes as a result of its acquisition by Baker Hughes in August 1998, Western Geo was one of two operating subsidiaries of Western Atlas International Inc. ("Western Atlas") focusing on seismic services throughout the world for offshore geophysical exploration.

56. Western Geo first hired Angolan Agent No. 1 as its agent in Angola in 1995 to assist it with obtaining seismic data processing work in Angola. The then-head of Sonangol's Geophysical Department advised a Western Geo employee that in order for Western Geo to win the data processing work, it would have to hire Angolan Agent No. 1 as its agent. Western Geo followed this advice and subsequently hired Angolan Agent No. 1 in May 1995; as promised, Western Geo subsequently was awarded the data processing project.

57. Western Atlas' other operating subsidiary, Western Atlas Logging Services ("Wireline"), which focused on measurements and analysis of the basic productive capacity at a well site (called "wireline logging"), also desired to break into the Angolan oil services market. In early 1996, Wireline hired Angolan Agent No. 1 at the urging of Sonangol employees and negotiated directly with a senior-level Sonangol employee over Angolan Agent No. 1's rate of commission payments and the scope of his work.

58. Baker Hughes inherited these agency relationships with Angolan Agent No. 1, as a result of its acquiring Western Atlas in August 1998. At that time, the employees responsible for retaining Angolan Agent No. 1 for Western Atlas' Western Geo and Wireline subsidiaries continued on as employees of Baker Hughes.

59. In 1998, a Baker Hughes employee told his supervisor at the time about his conversation with a senior-level Sonangol employee, wherein the employee revealed a detailed knowledge of Angolan Agent No. 1's agency agreement, but his supervisor dismissed it as a function of the small Angolan community that harbored no secrets.

60. In April 2000, Baker Hughes was billed for the travel expenses from Angola to Portugal and back to Angola of a senior-level Sonangol employee and his family, and this travel expense was then deducted from the commission accrual for Angolan Agent No. 1. Baker Hughes otherwise maintained no documentation indicating that this travel was for, on behalf, or to the benefit of Baker Hughes, or that Baker Hughes had any legitimate reason for reimbursing the travel costs of the Sonangol employee.

61. Between late 2002 and 2004, and during an ongoing company dispute with Angolan Agent No. 1 over nonpayment of commissions, a Baker Hughes business development manager (the same Baker Hughes employee described above) heard directly and repeatedly from senior-level Sonangol employees that they wanted Baker Hughes to pay Angolan Agent No. 1 the disputed commissions. In February 2003, Baker Hughes paid Angolan Agent No. 1 a commission of approximately \$381,000.

62. From 1998 to 2003, Baker Hughes paid Angolan Agent No. 1 over \$10.3 million on gross revenues of approximately \$149.9 million, and recorded in its books and records the payments made to Angolan Agent No. 1 as "commission" payments.

## **Angolan Agent No. 2**

63. In April 2000, Baker Hughes' INTEQ division formally engaged Angolan Agent No. 2 as its agent in Angola in connection with offshore work including a project called "Kizomba A." Baker Hughes retained Angolan Agent No. 2, who was the brother of a senior-level Sonangol employee, without conducting any due diligence despite the fact that Baker Hughes was revamping its due diligence policies for retaining agents as of January 1, 2000. In total, between 1999 and 2002, INTEQ paid Angolan Agent No. 2 approximately \$1.2 million in commission payments in connection with generating revenues to INTEQ of over \$30 million, and accounted for such payments as "commissions" on its books and records.

64. In September 2002, INTEQ abruptly terminated its relationship with Angolan Agent No. 2. At least one of the reasons for Angolan Agent No. 2's termination was that INTEQ's Country Manager for Angola and its Regional Manager for Europe, Africa, and the Middle East had discovered that Angolan Agent No. 2 was the brother of a senior-level Sonangol employee. As part of the severance with Angolan Agent No. 2, INTEQ agreed to pay Angolan Agent No. 2 accrued commissions of nearly \$500,000.

## **Payments in Nigeria to Reduce P.A.Y.E. Taxes**

65. In May 2001, a subsidiary of Baker Hughes in Nigeria disregarded clear warnings of potential FCPA violations and paid Nigerian state tax officials, directly or indirectly, in exchange for receiving a reduced income tax bill, and then inaccurately recorded such payments on its books and records.

66. In May 2001, the local tax authority in Nigeria assessed a Nigerian subsidiary of Baker Hughes' Baker Atlas division ("BA Nigeria") for underpayment of certain local income taxes of 57 million Naira (approximately \$500,000). This tax assessment (for "pay-as-you-earn" taxes or P.A.Y.E. taxes) was based on the fact that the number of expatriate employees listed on

BA Nigeria's monthly tax returns was less than that listed on its immigration forms. By mid-May 2001, a BA Nigeria local accountant had met with tax officials to negotiate a possible settlement, and succeeded in negotiating a reduced settlement of at most 12 million Naira (approximately \$105,000). The tax accountant was told by the Nigerian tax officials that after review with their supervisor, it was possible that they could agree to a discounted settlement of between 8.5 and 9 million Naira.

67. By May 16, 2001, negotiations had resulted in the Nigerian tax officials proposing that the tax assessment be settled by a payment of 12 million Naira split between a 6 million Naira payment to the Nigerian government and a 6 million Naira payment to then-unnamed Nigerian tax officials. On May 16, 2001, a BA Nigeria employee told his supervisor, the District Manager for Nigeria, that he had discussed the Nigerian tax officials' proposal with Baker Hughes' International Tax Manager for the Asia Pacific Region, and based on those discussions, a payment to the officials could violate the FCPA. A follow up email from the same employee indicated that he had then discussed the matter with the District Manager, who determined on his own that the FCPA would not be violated by making such a payment because "all companies are doing the same in Nigeria."

68. Between May 16 and May 21, 2001, BA Nigeria reached an agreement with the tax authorities that if BA Nigeria paid approximately 4.2 million Naira to persons connected with the local tax authority, then its official P.A.Y.E. tax liability would be fixed at approximately 4.8 million Naira (for a total of 9 million Naira). On May 21, 2001, BA Nigeria received an official assessment from the tax authorities stating that BA Nigeria's total outstanding P.A.Y.E. tax liability for 2000 was approximately 4.8 million Naira, or less than ten percent of the original assessment. On May 23, 2001, the District Manager authorized a payment for approximately 4.8 million Naira to the tax authorities. In addition, on that same day, the District Manager



authorized a second payment for approximately 4.2 million Naira to a Nigerian agent; the two payments totaled approximately 9 million Naira.

69. Although the Nigerian agent produced an invoice to BA Nigeria, dated May 18, 2001, indicating that he was the Group Managing Director of a local company and that he performed "tax consultancy matters" for BA Nigeria, that invoice was false because no such services were provided by the agent. The payment instead was made at the request of the Nigerian tax officials to obtain a reduction in BA Nigeria's P.A.Y.E. tax liability.

70. Baker Hughes' books and records indicate that the payments to the tax authority and to the Nigerian agent collectively were related to BA Nigeria's reduction in its P.A.Y.E. tax assessment. Baker Hughes' general ledgers reflect that the 4.8 million Naira payment to the Nigerian local tax authority and the 4.2 million Naira payment to the agent were recorded consecutively in the books as "miscellaneous expenses" and were similarly described as being related to "additional statutory tax levied 2000 audit." In addition, BA Nigeria's District Manager directed that the only supporting document to be retained for the payment to the agent be the May 21 official assessment letter.

#### **Payments to Kazakh Company for Land Lease Option**

71. In 2002, Baker Hughes sought access to land near the North Caspian Sea in Kazakhstan in connection with its bid on another oil services contract, this time involving an offshore development known as the KCO Project. The tender required Baker Hughes to demonstrate, among other things, that it had access to land adjacent to the Caspian Sea in which it could develop a fluids and cutting treatment service depot (or a "mud plant").

72. Fearnley encouraged Baker Hughes to focus on a site at Bautino Bay, Kazakhstan; a plot of land owned by a Kazakh company ("SCo."). In April 2002, Fearnley communicated to two Baker Hughes division employees why engaging in a land transaction with

SCo. would benefit Baker Hughes' bid on the KCO Project, telling them in an e-mail that SCo. was "only a front for the real owners who are influential." On other occasions, Fearnley indicated that an individual who held a high-ranking executive position within KazMunaiGas, the newly-organized national oil company of Kazakhstan formed in February 2002 from the merger of Kazakhoil and Transneftegas, had connections to SCo., and this was "another big influence factor for us winning the [KCO Project]." By at least September 2002, Fearnley was aware that a principal partner of SCo. was the same agent to which he had agreed in 2000, on Baker Hughes' behalf, to make commission payments for the Karachaganak project.

73. By August 2002, Baker Hughes personnel working on the KCO Project bid understood that a former high-ranking executive of Kazakhoil, and then-current high-ranking executive of KazMunaiGas, was directing certain of SCo.'s negotiations with Baker Hughes. In addition, Baker Hughes personnel knew that the same individual had recommended the Bautino Bay site owned by SCo. to Baker Hughes.

74. In early 2003, Baker Hughes authorized two payments totaling \$60,000 to SCo. for an option lasting eight months to lease its parcel of land at Bautino Bay in connection with Baker Hughes' bid on the KCO Project. The lease option agreement states that a company incorporated in the United Kingdom ("A Holdings") was a fifty percent beneficial owner in the Kazakh company offering the land lease option to Baker Hughes. Due diligence should have revealed an affiliation between A Holdings and Baker Hughes' agent for the Karachaganak project. Baker Hughes, however, made these option payments to SCo. without conducting any due diligence on the company. In addition, Baker Hughes did not adequately assure itself that payments to the Kazakh company would not be passed on, in whole or in part, to government officials in Kazakhstan in exchange for retaining or obtaining the oil services contract.

Ultimately, Baker Hughes allowed the option to lapse, which terminated after the commencement of the Commission's investigation.

#### **Payments to Agent N Corp.**

75. Between March 1998 and September 2004, Baker Hughes' wholly-owned subsidiary Baker Petrolite, specializing in sales of anti-corrosion products, made payments to its agent for Kazakhstan, Russia and Uzbekistan ("N Corp.") totaling nearly \$5.3 million on gross revenues estimated at approximately \$65 million. These payments were made under circumstances in which Baker Petrolite failed to adequately assure itself that the payments were not being passed on to employees of state-owned oil companies in order to obtain or retain business for Baker Petrolite. Baker Petrolite recorded such payments on its books and records alternately in accounts described as "commissions" or in accounts described as "cost of goods sold."

76. The commission payments Baker Petrolite paid to N Corp. were essentially equivalent to "finder's fees." Baker Petrolite would agree with the agent to sell a product to customers at a fixed price and N Corp. would keep as a commission any amount it could obtain on top of the fixed price. Over time, Baker Petrolite fixed the commission amount as a percentage of sales to specific continuing customers, including customers that were state-owned entities of the Republic of Kazakhstan.

77. Baker Petrolite either did not sign, or did not retain, any formal written consulting agreement with N Corp. until a consulting agreement was executed in January 2002, or nearly four years after N Corp. had commenced work on behalf of Baker Petrolite. Instead, the entire arrangement with N Corp. was based on oral agreements and written correspondence. Though Baker Hughes had revised its FCPA procedures in connection with the retention of agents, the 2002 consulting agreement did not contain the full FCPA provisions required by the new

procedures. In addition, N Corp. made it through Baker Hughes revised due diligence procedures, including its review by an outside law firm hired by the company to assist with its agent recertifications, until its relationship with Baker Hughes was terminated in late 2004.

78. From 1998 to early 2002, a substantial number of the commission payments were made, at N Corp.'s request, in cash (thereafter, the payments were all made by wire transfer). Some such payments were funded by providing a Baker Petrolite employee with cash advances that were later repaid via intercompany transfers.

79. When not paid in cash, Baker Petrolite generally paid N Corp., a registered Panamanian company, commission payments via wire transfer to five different bank accounts outside of the countries where services were apparently being performed, including two accounts in the United States and three accounts in Latvia.

80. In late 1999, the Baker Petrolite employee responsible for hiring N Corp., and requesting that commissions be paid to it, received \$146,832.36 from N Corp. in the form of three checks drawn on one of N Corp.'s U.S. bank accounts.

81. In 2001, certain customers accepted increased prices from Baker Petrolite or modified their product supply orders from Baker Petrolite primarily as a result of Baker Petrolite's decisions on the amount of commissions it would pay its agent N Corp. In this regard, Baker Petrolite did not ensure that the amount of commissions ultimately paid to N Corp. on behalf of its government-owned customers was not also linked to price and product order negotiations.

82. Baker Petrolite conducted no due diligence with respect to N Corp. until December 2001, or three years after N Corp. had first been engaged. When conducted, the due diligence revealed several "red flags," including that the beneficial owners of N Corp. were unknown and that its business phone number was potentially linked to a property owned by the

Russian government. Despite such knowledge, Baker Petrolite continued to retain and pay commissions to N Corp. until late 2004, when Baker Petrolite terminated its relationship with N Corp.

#### **Payments to Freight Forwarder to Bypass Customs Process in Indonesia**

83. In Indonesia between 2000 and 2003, Baker Hughes' Centrilift division, specializing in providing complete oil pumping systems, and its Baker Atlas division paid certain freight forwarders to import equipment into Indonesia using a "door-to-door" method that was designed to bypass the regular customs clearance process. In so doing, Centrilift and Baker Atlas failed to adequately assure themselves that the fees paid to the freight forwarders were not, in part, being passed on to Indonesian customs officials. Fees that Centrilift and Baker Atlas paid to the freight forwarders in connection with the "door-to-door" shipments were recorded to accounts for "Freight Courier Service" or "Freight Invoiced" on Centrilift's books and records and to an account for "Shipping, Crating" on Baker Atlas' books and records.

84. In a 2001 memo drafted by a consultant to Centrilift and distributed internally at the company among a region and country-level manager, the "door-to-door" process was described as an "illegal procedure" under Indonesian law "used to avoid the customs clearance process." The memo further described "door-to-door" as an expeditious shipping process that required that a "fee [be] paid to the Indonesian customs officials by the freight forwarding company," and that generally involved no paper work to the importer and no proof that any customs taxes or duties had in fact ever been paid. Nevertheless, the "door-to-door" practice at Centrilift continued in spite of the memo. In fact, when over one year later the region manager who had been privy to the consultant's memo emailed subordinates stating that the "door-to-door" delivery of equipment was illegal and should be discontinued, this directive was ignored



















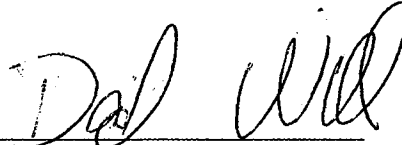


F. Ordering all defendants to pay civil penalties pursuant to Sections 21(d)(3) and 32(c) of the Exchange Act [15 U.S.C. §§ 78u(d)(3) and 78ff]; and

G. Granting such further relief as this Court may deem just and appropriate.

Dated: April 26, 2007

Respectfully submitted,



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