

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA,)

v.)

INTERNATIONAL HARVESTER COMPANY,)

Defendant)

Criminal No. H 82-244

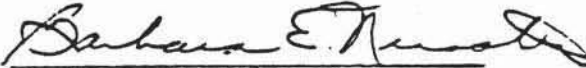
NOTICE OF PLEA AGREEMENT
AND PLEA AGREEMENT

Pursuant to Rule 11 (e) (1) (C) of the Federal Rules of Criminal Procedure, notice is respectfully given to the Court that the attorneys for the United States and the attorneys for defendant INTERNATIONAL HARVESTER COMPANY have agreed to the attached plea agreement.

Respectfully submitted,



DANIEL HEDGES
United States Attorney



Barbara E. Nicastro
Trial Attorney
Department of Justice

PLEA AGREEMENT

International Harvester Company and its attorneys, and the attorneys for the United States have agreed:

1. International Harvester Company shall waive indictment and plead guilty in the United States District Court for the Southern District of Texas to the one count Felony Information attached as Exhibit "A", which charges a felony violation of the conspiracy statute, 18 U.S.C. § 371, namely a conspiracy to violate the Foreign Corrupt Practices Act, 15 U.S.C. 78dd-2(a)(3). The United States will file the Felony Information as soon after the execution of this agreement as is practicable. At the time of this plea, the United States will provide the Court with a written Offer of Proof, a copy of which has been provided to the attorneys for International Harvester Company.

2. International Harvester Company shall pay a criminal fine of ten thousand dollars (\$10,000). This amount shall be paid in full within five (5) days after the entry of final judgment herein.

3. International Harvester Company will pay a civil cost reimbursement, for costs related to this prosecution, in the amount of \$40,000 which shall be paid to the United States Treasury within five (5) days of the entry of the plea of guilty described in paragraph 1.

4. If the Court accepts the plea of guilty described in paragraph 1 and enters final judgment, which is not later vacated, the United States agrees that inasmuch as no information has come to its attention indicating that International Harvester

Company or its management filed false or fraudulent income tax returns arising from activities regarding sales to Petroleos Mexicanos no further criminal charges will be brought against International Harvester Company for any of its conduct arising from its activities with Crawford Enterprises, Inc. regarding sales to Petroleos Mexicanos. However, this agreement does not prevent the United States from proceeding against International Harvester Company for such Title 26 civil matters as may be investigated by agents of the Internal Revenue Service in connection with the enforcement of federal revenue laws.

5. International Harvester Company shall not commit any further crimes whatsoever, and agrees that this agreement shall not prevent, prejudice or preclude the right of the United States to proceed in the future with the investigation and/or prosecution of it for any criminal violations not covered herein or which may occur after the date of this agreement whether or not such criminal violations are a continuation of activity begun before the date of this agreement.

6. It is agreed that if the Court, for any reason, rejects any part of this agreement or refuses to accept the plea of guilty or enter final judgment, International Harvester Company and the United States will be relieved of all obligations under this agreement. It is further agreed that should the Court reject this agreement, refuse to accept the plea of guilty or enter final judgment, the United States may move to dismiss the Felony Information (Exhibit "A") without prejudice and International Harvester Company will have no objection to such

dismissal, nor any objection, on the basis of such dismissal, to the continuation of the grand jury investigation or any resulting prosecution of it.

7. It is expressly understood that nothing herein precludes the United States from investigating and recovering from International Harvester Company all monies due and owing as civil liabilities whether or not arising out of the same facts and circumstances charged in Exhibit "A" or arising out of matters described in paragraph 4.

This plea agreement confirms the entire agreement between International Harvester Company and the United States concerning its guilty plea. No other promises, representations, or inducements have been made to International Harvester Company or its attorneys with regard to such guilty plea. No additional promises, agreements, or conditions have been entered into other than those set forth herein, and none will be entered into unless in writing and signed by all parties.

DATED: November 16, 1982


WILLIAM F. PENDERGAST


International Harvester Company

By:


DONALD D. LENOIR, President


BARBARA E. NICASTRO

Attorneys, Fraud Section
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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA)
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 v.) Criminal No. _____
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 INTERNATIONAL HARVESTER)
 COMPANY)
 Defendant)
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INFORMATION

The United States charges:

INTRODUCTION

1. At all times material herein, Petroleos Mexicanos (hereinafter "Pemex") was the national oil company wholly owned by the Government of the United States of Mexico and was responsible for the exploration and production of all of the oil and natural gas resources of Mexico and for acquiring the equipment, including compression equipment systems, necessary for such exploration and production. Pemex was an instrumentality of a foreign government as that term is used in 15 U.S.C. §78dd-1(b) and § 78dd-2(d) (2).

2. At all times material herein, the subdirector of Pemex responsible for the purchase of goods and equipment on behalf of Pemex, and the subdirector of Pemex responsible for the exploration and production of Mexican oil and natural gas were officers and employees of a foreign government instrumentality, and were foreign officials as that term is defined in 15 U.S.C. §78dd-1(b) and §78dd-2(d) (2).

3. At all times material herein, Solar Turbines International with principal offices in San Diego, California was a division of defendant INTERNATIONAL HARVESTER COMPANY (hereinafter "SOLAR"), a corporation organized under the laws of Delaware. Defendant SOLAR was engaged in, among other things, the manufacture and sale of turbine compression equipment.

4. At all times material herein, George S. McLean (hereinafter "McLean") was a vice president of SOLAR and was responsible for, among other things, sales of compression equipment made by defendant SOLAR to Pemex and to Crawford enterprises, Inc.

5. At all times material herein, Luis A. Uriarte (hereinafter "Uriarte") was the Latin American regional manager of SOLAR and was responsible for, among other things, bids and sales of compression equipment made by Solar to Pemex and to Crawford Enterprises, Inc.

6. At all times material herein, Crawford Enterprises, Inc. (hereinafter "CEI") was a corporation organized under the laws of Texas, and was engaged in, among other things, the business of selling compression equipment systems to Pemex for use in the exploration, production and transmission of Mexican oil and natural gas.

7. At all times material hereto, Grupo Industrial Delta, S.A. (hereinafter "Grupo Delta"), was a Mexican corporation with principal offices in Mexico City, Mexico.

8. From approximately December 19, 1977 until approximately May, 1980, within the Southern District of Texas and elsewhere, defendant INTERNATIONAL HARVESTER COMPANY did unlawfully, knowingly and willfully combine, conspire, confederate and agree together with,

Crawford Enterprises, Inc.

Donald G. Crawford

William E. Hall

Mario Sergio Gonzalez

Ricardo Garcia Beltran

Andres I. Garcia

George S. McLean

Luis A. Uriarte

Al Lee Eyster

James R. Smith

and with other persons known and unknown to the grand jury, to commit offenses against the United States, that is, to use the means and instrumentalities of interstate commerce corruptly in furtherance of an offer, payment, promise to pay and authorization of the payment of money to:

(a) foreign officials of Pemex; and

(b) a person, Grupo Delta, knowing that all or a portion of such money would be offered, given or promised directly or indirectly, to foreign officials of Pemex,

for the purpose of influencing the acts and decisions of those foreign officials in their official capacity, and inducing them to use their influence with Pemex so as to affect and influence

the acts and decisions of Pemex in order to assist defendant SOLAR, CEI and the other coconspirators in obtaining and retaining business with Pemex, in violation of Title 15, United States Code, Sections 78dd-2(a)(1) and (3), and 78dd-2(b).

PURPOSES OF THE CONSPIRACY

9. The purposes of the conspiracy were:
- (a) to bribe Pemex officials in order to obtain from Pemex purchase orders for turbine compression systems and related equipment; and
 - (b) to obtain from Pemex the money to fund the bribe payments to the Pemex officials.

MANNER AND MEANS

10. It was a part of the conspiracy that CEI and its president, Donald G. Crawford would and did offer, agree to pay and pay to the Subdirectors of Purchasing and of Production bribes equalling approximately 4.5% of each Pemex purchase order for compression equipment systems in which CEI participated.

11. It was further a part of the conspiracy that Grupo Delta would:

- (a) hold itself out as the Mexican agent of CEI, while in truth acting primarily as the conduit for the bribe payments; and
- (b) disguise the bribe payments as "commissions" due by providing false and fictitious invoices for each payment received.

12. It was further a part of the conspiracy that in order to create a pool of money with which to pay bribes, defendant SOLAR along with others, including CEI, submitted to Pemex bids which were inflated to include a 4.5% markup for the "folks".

13. It was further a part of the conspiracy that the defendants and coconspirators, including certain officers and employees of defendant SOLAR, would use the term "folks" as a code word for the Subdirectors of Purchasing and of Production in order to conceal from others their true identities as Pemex officials and the existence of the bribe scheme.

14. It was further a part of the conspiracy that in order to create a facade of competitiveness and to conceal their participation in the bribe scheme, defendant SOLAR along with others, including CEI:

- (a) permitted officers of CEI, along with others, to calculate all final bid prices to be submitted by them to Pemex;
- (b) received these bids through their officers, employees and agents, including Uriarte; and
- (c) submitted only these prearranged bids to Pemex.

15. It was further a part of the conspiracy that defendant SOLAR would and did receive purchase orders directly from Pemex for compression equipment systems in the total approximate amount of \$26,727,419 and would and did sell approximately \$92,194,122 of compression equipment to CEI for CEI's resale to Pemex.

16. It was further a part of the conspiracy that CEI, with the knowledge of, among others, defendant SOLAR, through its officers employees and agents, including McLean and Uriarte, would and did transmit and cause to be transmitted approximately \$9,960,432.40 in bribe money to Grupo Delta for payment to the Subdirectors of Purchasing and of Production.

OVERT ACTS

In order to further the objects and purposes of this conspiracy, the defendants and coconspirators did commit and cause to be committed the following and other overt acts within the Southern District of Texas and elsewhere:

1. On or about January 19, 1978 Uriarte informed an individual that defendant SOLAR would bid to Pemex the prices given to it by CEI.
2. On or about January 28, 1978, an employee of defendant SOLAR met with officers and employees of CEI and others in Houston, Texas to prepare pricing computations to be submitted to Pemex by defendant SOLAR and by others for five jobs:
 - (a) a twelve unit compression equipment system bid (hereinafter "Job #133");
 - (b) an eighteen unit compression equipment system bid (hereinafter "Job #135");
 - (c) an eight unit compression equipment system bid (hereinafter "Job #136");

- (d) a five unit compression equipment system bid (hereinafter "Job #140"); and
- (e) a four unit compression equipment system bid (hereinafter "Job #141").

3. On or about January 29, 1978, Uriarte travelled via commercial airline from Houston, Texas, to Mexico City, Mexico relative to the bids to be submitted later that week to Pemex by defendant SOLAR and by CEI.
4. On or about January 30, 1978, in Mexico City, Mexico, an agent of SOLAR received from an officer of CEI the prices to be bid to Pemex by defendant SOLAR for Jobs #133, #135, #136, #140 and #141.
5. On or about January 31, 1978, defendant SOLAR submitted to Pemex its separate bids for Jobs #133, #135, #136, #140 and #141 in total amounts identical to the prices communicated to it by CEI. Each bid price included a hidden 4.5% markup for the "folks".
6. On or about February 16, 1978, defendant SOLAR and CEI each submitted a bid to Pemex for ten water flood units (hereinafter "Job #149"). These bids contained a hidden 4.5% markup for the "folks".
7. On or about April 3, 1978, defendant SOLAR, through its Mexico City agent, picked up Pemex P.O. #800-11-8-80201 in the amount of \$7,366,850.80 issued to defendant SOLAR for Job #141.

8. On or about April 7, 1978, Uriarte met in Houston with a CEI employee to discuss pricing for bids to be made by defendant SOLAR and by CEI to Pemex for nine water flood system units (hereinafter "Job #148").
9. On or about April 10, 1978, defendant SOLAR and CEI each submitted to Pemex agreed upon bids for Job #148, both of which included money for the "folks".
10. On or about April 28, 1978, defendant SOLAR, through its Mexico City agent, picked up Pemex P.O. #800-11-8-80395 in the amount of \$5,885,490 issued to defendant SOLAR for Job #149.
11. On or about January 24, 1979, Uriarte and McLean met with officers of CEI, along with others, in San Diego, California to discuss obtaining additional business from Pemex.

All in violation of Title 18, United States Code, Section 371.

DANIEL K. HEDGES
United States Attorney

William F. Pendergast
U.S. Department of Justice
Criminal Division