

BAE Systems Guilty Of Conspiracy, Gets \$400 Million Fine

Pete Yost, Associated Press Writer

WASHINGTON (AP) — Defense company BAE Systems PLC pleaded guilty to conspiracy on Monday and a judge imposed a \$400 million fine, among the largest in the Justice Department's efforts to combat overseas corruption in international business.

The defense contractor knowingly failed to ensure compliance with legal prohibitions on foreign bribery. The company's conduct impeded U.S. efforts to be certain international trade is free of corruption, said acting Deputy Attorney General Gary Grindler.

The gain to BAES was more than \$200 million from false statements and failures to disclose information to the U.S. government, according to court papers in the case.

From 2000 to 2002, the company told the Defense and Justice departments that it would carry out compliance measures in accordance with anti-bribery provisions of the Foreign Corrupt Practices Act and with similar foreign laws.

According to papers filed in the case, BAES took steps to conceal from the U.S. government undisclosed payments to marketing advisers who assisted in securing sales of defense items, and the company failed to scrutinize its relationships with some of the advisers.

BAES paid some marketing advisers through offshore shell companies and encouraged advisers to establish their own offshore shell companies to receive payments from BAES, the papers added.

BAES admitted that it established one company in the British Virgin Islands to conceal marketing adviser relationships and to assist advisers in avoiding tax liability for payments from BAES.

Under an agreement with the government to settle the case, BAE Systems will retain an independent compliance monitor in support of BAE Systems' stated commitment to substantial benefits to a foreign public official of operate in a transparent, honest and responsible manner.

The court papers also said BAES provided substantial benefits to a foreign public official of the Kingdom of Saudi Arabia who was in a position to influence sales of fighter jets and other defense materials.

Regarding the same deals, BAES agreed to transfer more than \$9 million to a bank account in Switzerland controlled by an intermediary, knowing there was a high

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probability part of the money would be transferred to the same KSA official, the court papers added.

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