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Too Big to Fail, Inc. -- Intro

- Too Big To Fail, Inc. is a financial services company, domesticated in Delaware and listed in the U.S. that has operations in approximately 60 countries, including the U.S., U.K., and throughout Western Europe, the Middle East and Africa. Roger Chattyguy is the Chief Compliance Officer for Too Big reporting directly to General Counsel, Sharon Coleman.
- In late-2008, Too Big took an equity stake in a mining operation in the West African country of Low CPI. The investment gave Too Big 20% of the operation, called Caveat Emptor, Inc. The remaining 80% was owned by SWF, Inc., the sovereign wealth fund of a large Middle Eastern country. At the time of the investment, Too Big did no due diligence on Caveat Emptor. One year later, in late-2009, SWF presented Too Big with the opportunity to increase its equity stake in Caveat to 60%. Too Big leapt at the opportunity and now owns 60% of Caveat with SWF retaining the other 40%.



Too Big to Fail, Inc. -- Intro

- Since its inception, Caveat has been run by a general director hired by SWF. The director, G. On Native, a U.K. citizen, has decades of experience mining in Low CPI and runs the operation without any oversight by either SWF or Too Big who consider themselves simply equity investors.



Day One

- Day One: On Day One, Chattyguy receives a complaint via the Too Big anonymous whistleblower hotline complaining about Native. According to the complaint, Native constantly berates his employees, hasn't given anyone a raise in 3 years, discriminates against women and, incidentally, is paying Customs officials to clear goods into the country.
- Chattyguy is concerned about this complaint, particularly the part about paying Customs officials. He decides to send a very young lawyer he has just hired, Pedro Clark, to Low CPI in order to dig around a bit. Clark is a third-year deal lawyer, but interned for a District Attorney's office in college and so Chattyguy feels confident he's the right guy for the job.

STOP



Day Three

- Day Three: Inexperienced attorney Pedro Clark calls Chattyguy to tell him that as soon as he arrived, the Caveat logistics manager told Clark that payments are routinely made by Caveat staff in order to import equipment into Low CPI. The payments are usually \$1,000 per shipment. Having recently attended a marvelous FCPA seminar in the exburbs of DC, Chattyguy realizes these payments might be a problem. He recalls hearing about some small case that caused a bit of ripple in the Oil & Gas sector concerning payments to Customs officials. Chattyguy tells Clark to get more information from the logistics manager.
- Clark emails the Logistics manager telling him they have a HUGE PROBLEM (all caps) and that he MUST (all caps) meet with him again at 9 a.m. sharp on Day Four. The logistics manager was two hours late to the meeting and when he arrived, denied ever telling Clark that payments were made to customs officials – must have been a misunderstanding. Clark asks Chattyguy what he should do next.

STOP



Day Four

- Day Four: After hearing that Clark is being stymied in gathering further information, Chattyguy calls an attorney he saw speak at the recent FCPA conference . He recalls liking what the attorney, A. Sayles Pitch, had to say because he went on and on about taking a measured approach to investigations, his ability to conduct investigations on a very modest budget and how he takes a very dim view of making disclosures to the government. On the call, Pitch advised Chattyguy that he had a very serious situation on his hands, indeed. Pitch advised two immediate next steps: (1) he would assemble a team from his firm to head off to Low CPI that night to begin investigating and (2) he would call Sharon S. Careboro at the SEC and Chet D. Ross at DOJ's Fraud Section that day to tell them that Too Big had identified a potential issue in Low CPI, but that he was on it and would report back to the government within a week or two with preliminary conclusions.

STOP



Day Six

- Following the call with Pitch, Chattyguy decides to retain Pitch and send him to Low CPI with an investigative team. Chattyguy, however, does not authorize Pitch to call the government and make a disclosure, wanting to first determine what was going on in Low CPI.
- Day Six: Pitch calls Chattyguy from Low CPI and, after complaining about the fact that he cannot find a decent steak in all of Low CPI, tells Chattyguy that the team spoke to several employees in the logistics department and they each confirmed that Caveat is making payments of \$1,000 to get equipment into Low CPI. This occurs twice a month and has been ongoing since late-2007 when Caveat first began importing heavy equipment into Low CPI. Pitch reiterates his recommendation that he be authorized to call the US government on Too Big's behalf. He also recommends that his team conduct a thorough FCPA audit of Caveat's operations in Low CPI.



Day Six (Cont'd)

- Chattyguy calls the Too Big general counsel, Sharon Coleman, fills her in on what's happened thus far and suggests convening the audit committee to brief them. Coleman demurs, saying she would like more information before convening the audit committee. Coleman also tells Chattyguy that she would like him to deal with this issue as he sees fit as Coleman is consumed by the options backdating case against her.

STOP



Day Seven

- Day Seven: Chattyguy decides to authorize the FCPA audit of Caveat which will include interviews of logistics, sales and finance personnel as well as those involved with obtaining government permits/licenses and all of Caveat's managerial staff. Chattyguy decides there is no need, however, to spend money on an email review at this time and thinks a document retention notice is premature.



Day 10

- Day 10: Pitch calls Chattyguy and, after complaining that he can't find a hotel in Low CPI with ESPN (who wants to watch soccer and why do they keep calling it "football" when no one even gets a concussion?!), tells Chattyguy that he just had a very troubling interview with G. On Native, the U.K. citizen that runs Caveat. Native told Pitch that he is surprised Pitch is so concerned about these payments to customs as that is how business is done in Low CPI. In fact, he said, when SWF first acquired the mining concession for Caveat, in 2007, SWF authorized Native to make a \$100,000 payment to Low CPI's Minister of Mines in exchange for the concession.

STOP



Day 11

- Day 11: After hearing about the alleged \$100,000, Chattyguy again asks Coleman if he can brief the Audit Committee on the situation. Coleman says no, that she's holding out hope that Native was exaggerating and she doesn't want to brief the Audit Committee until she is 100% sure there is a problem.
- Pitch does not know it, but Coleman is very concerned about the Audit Committee's reaction given that about one year ago, the chair of the committee had recommended that perhaps Too Big should beef up its anti-corruption compliance program. Coleman hadn't yet gotten around to it.
- Pitch again recommends that Too Big make a disclosure to the US Government, but Chattyguy feels he cannot authorize such a disclosure without permission of the Audit Committee and possibly the full Board.
- Chattyguy asks Pitch to continue interviewing personnel in Low CPI and keep him posted.

STOP



Day 14

- Day 14: Pitch calls Chattyguy to tell him that local employees have been saying that they believe the Low CPI Minister of Mines is on Caveat's payroll. Pitch and his team have been unable to confirm this, but they have found payroll records indicating that \$10,000 per month is paid to a Caveat employee named Noshow, a common Low CPI surname, that no one has reported ever seeing at the Caveat offices.
- Chattyguyagain calls Coleman and asks for permission to brief the Audit Committee and is again refused. "Once we nail down who this Noshow guy is, we can think about calling the Committee," she says.

STOP



Day 15

- Day 15: Unbeknownst to Chattyguy, the individual that called the Too Big anonymous hotline about potential problems in Low CPI was aware of Chattyguy's frustration. Teller Truth, a U.S. employee of Too Big, had traveled to Low CPI the prior month and was concerned with the rumors he was hearing. Over the previous few days, Truth had repeatedly seen Chattyguy in the hallways and each day Chattyguy looked more and more stressed.
- On Day 15, Truth overheard Chattyguy telling a colleague, "She won't even let me tell the Audit Committee." Hearing that, Truth decided he should call the SEC and file a Dodd-Frank whistleblower complaint. He felt it was the right thing to do and, hey, he might even make a few bucks.



Day 16

- Day 16: On Day 16, Sharon Coleman receives a call from Careboro and Ross of the SEC and DOJ. The government officials tell Coleman that they have heard that Too Big might have an issue in Low CPI and they would like a briefing on what is going on as soon as possible. They would also, they say, like to hear about Too Big's existing anti-corruption program.
- Coleman decides the time is right to take that South Pacific vacation she has been yearning for. She tells Chattyguy what has just happened and heads to the airport.
- Chattyguy immediately convenes the Audit Committee for a telephonic meeting.

STOP