



Department of Justice

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Textron Inc. Agrees to \$1.15 Million Fine in Connection with Payment of \$600,000 in Kickbacks by its French Subsidiaries under the United Nations Oil for Food Program

WASHINGTON – The Department of Justice has entered into an agreement with Textron Inc. which requires the payment of a \$1.15 million fine, as part of the Department’s ongoing investigation into the United Nations “Oil for Food” program, Assistant Attorney General Alice S. Fisher of the Criminal Division announced today.

Textron Inc., a Delaware corporation based in Providence, R.I., has acknowledged responsibility for the actions of several of its French subsidiaries, whose employees and agents made improper payments to the Iraqi government in order to obtain contracts with Iraqi ministries to provide industrial pumps, gears, and other equipment. The agreement requires the company to cooperate fully with the Department’s ongoing Oil for Food investigation.

According to the agreement between the Department and Textron, between 2000 and 2003, three of Textron’s David Brown French subsidiaries in its Fluid and Power Business Unit paid a total of approximately \$600,000 to the Iraqi government by inflating the price of contracts by 10 percent before submitting the contracts to the United Nations for approval. The subsidiaries concealed from the United Nations the fact that the price contained a kickback to the Iraqi government.

The Department has agreed not to file criminal charges against the company or its subsidiaries in recognition of Textron’s early discovery and reporting of the improper payments; Textron’s thorough review of those payments as well as its discovery and review of improper payments made in other countries, including India, Egypt, and the United Arab Emirates; and the company’s implementation of enhanced compliance policies and procedures.

In a related SEC civil injunctive action filed earlier today, Textron agreed to pay approximately \$3.5 million in disgorgement and civil penalties.

The Oil for Food Program was established by the United Nations to enable Iraq to sell its oil for humanitarian purposes, in the context of an extensive international sanctions regime. The program mandated that the proceeds of oil sales be deposited in a United Nations bank account and that those proceeds be used by the Iraqi government only to purchase humanitarian goods and services, such as food and medicine, approved by the United Nations. Beginning in 2000, the Iraqi government began requiring companies wishing to sell humanitarian goods to government ministries to pay a kickback, often mischaracterized as an after-sales services fee, in order to be granted a contract. The amount of that fee was usually 10 percent of the contract price. Such payments were not permitted under the Oil for Food Program or other sanction regimes then in place.

The Department’s Fraud Section and the FBI are investigating Textron, and other humanitarian goods suppliers involved with the Oil for Food Program. This case is being prosecuted by Deputy Chief Mark F. Mendelsohn and Assistant Chief Robertson Park.

The Department acknowledges and expresses its appreciation of the significant, ongoing assistance provided by the staff of the Enforcement Division of the Securities and Exchange Commission over the course of this investigation.

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