

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

	§	
SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	Civil Action No.: 08-2680
vs.	§	
	§	COMPLAINT
ALBERT JACKSON STANLEY,	§	
	§	
Defendant.	§	
	§	

Plaintiff Securities and Exchange Commission (the “Commission”) alleges:

SUMMARY

1. This action arises from multiple violations of the Foreign Corrupt Practices Act (the “FCPA”) of the federal securities laws by Defendant Albert Jackson Stanley (“Stanley” or “Defendant”). During the relevant period, Stanley was an executive of Kellogg, Brown & Root, Inc. (“KBR”), a wholly-owned subsidiary of Halliburton Company, and KBR’s predecessor, The M.W. Kellogg Company (“Kellogg”), a wholly-owned subsidiary of Dresser Industries, Inc.

2. Between at least 1995 and 2004, Stanley, along with others, devised and implemented a scheme to bribe Nigerian government officials to assist in obtaining multiple contracts worth over \$6 billion to build liquefied natural gas production facilities (“LNG Trains”) in Bonny Island, Nigeria. The contracts were awarded to a four-company joint venture of which Kellogg, and later KBR, was a member. To conceal the illicit payments, Stanley and others approved sham “consulting” or “services” agreements

with intermediaries who would then funnel their purportedly legitimate fees to Nigerian officials. Specifically, Stanley and others implemented this scheme by using a Gibraltar shell company controlled by a solicitor based in the United Kingdom (“the UK Agent”) and a Japanese company (“the Japanese Agent”) as conduits for the bribes.

3. The Commission brings this action against the Defendant seeking permanent injunctive relief to prevent future violations of the federal securities laws.

JURISDICTION

4. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e) and 27 of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

5. Stanley, directly and indirectly, made use of the mails and of the means and instrumentalities of interstate commerce in connection with the acts, practices and courses of business described in this Complaint.

DEFENDANT

6. Stanley, age 65, is a United States citizen who resides in Houston, Texas, and a former employee of Dresser Industries, Inc. (“Dresser”) and Halliburton Company (“Halliburton”). Prior to September 1998, Stanley was the head of Dresser’s wholly-owned construction subsidiary, Kellogg, and a senior vice-president of Dresser. In September 1998, Dresser merged into Halliburton; Halliburton was the surviving entity. Halliburton combined Kellogg with its construction subsidiary, Brown & Root, Inc., to form KBR. After the merger and formation of KBR, Stanley was the CEO of KBR until 2001. He then served as chairman of KBR. He continued to work for the company until June 2004.

RELATED ENTITIES

7. Halliburton is a Delaware energy services corporation, headquartered in Houston, Texas and Dubai, United Arab Emirates. Its common stock is registered under Section 12(b) of the Exchange Act and trades on the NYSE. It merged with Dresser in September 1998, and became the surviving entity. Prior to the merger, Dresser's common stock was registered under Section 12(b) of the Exchange Act.

8. KBR is a Delaware engineering, construction and government services corporation headquartered in Houston, Texas. KBR was a wholly-owned subsidiary of Halliburton until November 2006, when KBR became a separate publicly-traded company. KBR's common stock is registered under Section 12(b) of the Exchange Act and trades on the NYSE.

FACTUAL ALLEGATIONS

Stanley and Others Agree to Pay Bribes to Obtain Nigeria LNG Contract

9. The Nigerian government created Nigeria LNG, Ltd. ("Nigeria LNG") in the late 1980s to develop the production of natural gas associated with oil production in Nigeria. At all relevant times, the Nigerian government owned 49% of the company and exercised control over the company.

10. In June 1990, in order to pursue certain LNG projects in Nigeria, Dresser subsidiary Kellogg formed a joint venture with three other multi-national companies. The joint venture began to pursue bidding on a construction contract to build two LNG Trains in Bonny Island, Nigeria. After Halliburton merged with Dresser and formed KBR, KBR replaced Kellogg in the joint venture.

11. Stanley was intimately involved in the joint venture and its business in Nigeria from the joint venture's inception. Each member of the joint venture had one or more representatives on a steering committee that ran the joint venture. Stanley was a senior member of that steering committee at all relevant times.

12. Beginning at least as early as 1994, Stanley and other members of the joint venture determined that it was necessary to pay bribes to individuals within the Nigerian government to assist in obtaining the LNG contract. To implement and hide this scheme, they discussed: i) using sham consulting contracts with various individuals or shell corporations (agents); and ii) "downloading" the payments through subcontractors or vendors. Ostensibly, the agents or vendors would be retained and paid to perform legitimate services. In actuality, the agents or vendors would use the money in whole or in part to make corrupt payments to Nigerian government officials on behalf of the joint venture.

13. Eventually the joint venture decided to funnel the payments through two entities, using the UK Agent to pay high-ranking Nigerian officials, and using the Japanese Agent to pay lower-level Nigerian officials. Payments made to the UK Agent, as well as payments by the UK Agent to Nigerian government officials, were routed through banks in New York.

The UK Agent

Trains One and Two

14. Before entering into a contract with the UK Agent, Stanley wanted assurance from high-ranking Nigerian government officials that the UK Agent was the right conduit. Therefore, the UK Agent arranged for Stanley and others in the joint

venture to meet with senior Nigerian government officials in late November 1994. At the meeting, a high-ranking Nigerian official confirmed that the UK Agent should serve as the conduit for payments. After that meeting, Stanley approved the joint venture entering into an agreement to pay the UK Agent \$60 million, with the understanding that a substantial portion of this money would be funneled to Nigerian officials as bribes.

15. In December 1994, Nigeria LNG selected the joint venture as its “preferred contractor” by entering into a Memorandum of Understanding, a significant first step towards awarding the contract for the first two LNG Trains.

16. In December 1995, Nigeria LNG awarded the joint venture the contract to build the first two LNG Trains, for \$2.2 billion. The joint venture began construction in 1996 and finished in 2000. As the joint venture received payments for the construction from Nigeria LNG, it paid the UK Agent. The joint venture sent a total of \$60 million to the UK Agent’s Swiss bank account between December 1995 and March 2000 for the purpose of making corrupt payments to Nigerian government officials.

17. As the UK Agent received these payments, the UK Agent made systematic and substantial transfers of money to accounts owned or controlled by one or more high-ranking Nigerian government officials.

Train Three

18. In 1996, the joint venture began pursuing a contract with Nigeria LNG to build Train Three in Bonny Island, Nigeria. In May 1997, Stanley and others in the joint venture traveled to Nigeria to meet with high-ranking Nigerian government officials to confirm that the UK Agent was still the correct intermediary to use to pay bribes.

19. In February 1999, Stanley and others in the joint venture again traveled to Nigeria to meet a high-ranking Nigerian government official who confirmed that the UK Agent was the correct intermediary. The Nigerian official also appointed his own representative to negotiate the bribe amount. In March 1999, Stanley and others at KBR and the joint venture met with the official's representative in London to negotiate the amount of the bribes to be paid in connection with the award of the Train Three LNG contract. Stanley and others agreed to pay \$32.5 million.

20. Days after the London meeting, Nigeria LNG awarded the Train Three contract to the joint venture for \$1.2 billion. The joint venture then entered into a new agreement with the UK Agent for the \$32.5 million negotiated at the London meeting. Between March 1999 and May 2003, the joint venture paid the UK Agent, directing the payments to the UK Agent's bank accounts in Switzerland and Monaco. After receiving the money, the UK Agent made substantial payments to one or more Nigerian government officials.

Trains Four Through Six

21. In approximately 2001, the joint venture discussed bidding on the next series of LNG Trains. In November 2001, Stanley and others in the joint venture again traveled to Nigeria to meet a high-ranking government official, who confirmed that the UK Agent was still acceptable to serve as a conduit for the payments and who appointed his own representative to negotiate the bribe amount.

22. In December 2001, the joint venture entered into another agreement with the UK Agent in connection with Trains Four and Five for \$51 million. In March 2002, Nigeria LNG awarded the joint venture a \$1.6 billion contract to build Trains Four and

Five. Between March 2002 and January 2004, the joint venture paid the UK Agent \$40 million under the sham consulting agreement. After receiving the payments, the UK Agent made substantial transfers of money to one or more Nigerian government officials.

23. In June 2002, the joint venture entered into another contract with the UK Agent for Train Six for \$23 million. Stanley and others authorized and directed the joint venture to enter into the contract to use the agent as a conduit to bribe, and offer to bribe, Nigerian government officials to assist in obtaining the contract to build Train Six. In July 2004, Nigeria LNG awarded the joint venture a \$970 million contract to build Train Six.

The Japanese Agent

24. As alleged above, Stanley and others in the joint venture agreed to use the Japanese Agent to make corrupt payments to lower-level Nigerian government officials in connection with the Bonny Island LNG Trains.

25. Between 1996 and 2002, the joint venture entered into three “services” agreements with the Japanese Agent. Stanley and others authorized and directed the joint venture to enter into each of the agreements with the Japanese Agent intending and expecting that the Japanese Agent would use money it received under these agreements to offer and make corrupt payments to lower-level Nigerian officials to assist in obtaining the LNG contracts to build Trains One through Five.

26. Between 1996 and June 2004, when the payments ended, the joint venture paid the Japanese Agent more than \$50 million.

Falsification of Company Records and Circumvention of Internal Controls

27. In numerous Dresser, Halliburton and KBR company records, Stanley and others falsely characterized the payments to the UK Agent and the Japanese Agent as legitimate “consulting” or “services” fees when, in fact, Stanley knew they were bribes. For example, Stanley authorized entering into contracts with the UK Agent and the Japanese Agent that he knew falsely described the purpose of the contracts in order to make it appear that the agents would perform legitimate services. Stanley and others also prepared for approval internal company bid documents for the LNG Trains that mischaracterized the bribe payments as legitimate expenses. In addition, certain records falsified by Stanley were used in the companies’ due diligence process for approving use of the UK Agent.

FIRST CLAIM FOR RELIEF

**Violations of Section 30A of the Exchange Act
(Anti-bribery Provisions of the Foreign Corrupt Practices Act)**

28. Paragraphs 1 through 27 are realleged and incorporated herein by reference.

29. As described above, Defendant, an officer, director, employee or agent of a U.S. issuer, acting on its behalf, made use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value, to foreign officials for the purposes of influencing their acts or decisions, securing an improper advantage, or inducing them to use their influence, to assist the issuer in obtaining or retaining business.

30. In addition, Defendant at all relevant times was a U.S. person as that term is defined in Section 30A(g)(2) of the Exchange Act, and was an officer, director, employee or agent of a U.S. issuer acting on its behalf. Defendant corruptly committed acts outside the United States in furtherance of an offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value, to foreign officials for the purposes of influencing their acts or decisions, securing an improper advantage, or inducing them to use their influence, to assist the issuer in obtaining or retaining business.

31. By reason of the foregoing, Defendant violated, and unless restrained and enjoined will continue to violate, Section 30A of the Exchange Act [15 U.S.C. § 78dd-1].

SECOND CLAIM FOR RELIEF

Violations of Section 13(b)(5) of the Exchange Act and Rule 13b2-1
(Company Records and Internal Controls)

32. Paragraphs 1 through 31 above are realleged and incorporated by reference herein.

33. As described above, during the relevant period Defendant knowingly falsified, and directly or indirectly, caused to be falsified books, records, or accounts of a U.S. issuer subject to Section 13(b)(2) of the Exchange Act [15 U.S.C. § 78m(b)(2)]. As a result of Defendant's conduct, the books and records of a U.S. issuer falsely reflected the payments to the UK Agent and the Japanese Agent as legitimate business expenses instead of bribes. By falsifying documents and authorizing the sham agent contracts, Defendant also knowingly circumvented certain internal accounting controls of a U.S. issuer.

34. By reason of the foregoing, Defendant violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rule 13b2-1 [17 C.F.R. § 240.13b2-1].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

- (1) Enter a final judgment permanently enjoining Defendant from violating Sections 30A and 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78dd-1 and 78m(b)(5)] and Rule 13b2-1 [17 C.F.R. § 240.13b2-1]; and
- (2) Grant the Commission such other and further relief as is just and appropriate.

Dated: September 3, 2008

Respectfully submitted,

s/Mark A. Adler
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