WILLKIE FARR & GALLAGHER LLP

CLIENT MEMORANDUM

VETCO PAYS LARGEST CRIMINAL FINE IN THE HISTORY OF THE FCPA

On February 6, 2007, three subsidiaries of Vetco International Ltd. pleaded guilty to violating the antibribery provisions of the Foreign Corrupt Practices Act ("FCPA"). The subsidiaries, Vetco Gray Controls Inc., Vetco Gray Controls Ltd., and Vetco Gray UK Ltd. (the "Vetco subsidiaries"), paid a total combined fine of $26 million - the largest criminal fine in the history of the FCPA. A fourth Vetco affiliate, Aibel Group Ltd., reached a deferred prosecution agreement with the Justice Department in the case.

In pleading guilty, the Vetco subsidiaries admitted to violating the FCPA by making corrupt payments of approximately $2.1 million to Nigerian Customs Service officials over a two-year period. The Vetco subsidiaries paid the bribes through a major international freight forwarding and customs clearance company. According to the Justice Department, the companies coordinated the payments largely through Vetco Gray Control Inc.'s offices in Houston, Texas.

In February 2001, Vetco Gray UK Ltd. began providing services and equipment for Nigeria's first deepwater oil drilling project, the Bonga Project. From 2002 until 2005, the Vetco subsidiaries hired a major international freight forwarding and customs clearing company and authorized it to pay approximately $2.1 million to Nigerian Customs Service officials for preferential treatment during the customs process. The Vetco subsidiaries made at least 378 corrupt payments over a two-year period.

The Justice Department imposed the record fine in part because the companies failed to comply with prior representations that they would implement a rigorous compliance program. On July 6, 2004, Vetco Gray UK Ltd. - then named ABB Vetco Gray UK Ltd. - pleaded guilty to violating the FCPA by improperly paying over $1 million to corrupt Nigerian officials to obtain favorable bids for oil contracts. At the time, a private equity consortium sought to buy Vetco Gray UK Ltd. and other Vetco entities. To protect itself against further FCPA-related penalties, the consortium conducted a thorough compliance review and asked the Justice Department to issue an Opinion Release limiting its potential liability for prior FCPA violations. In Opinion Release No. 04-02, the Justice Department stated that it did not "presently intend to take an enforcement action" for prior FCPA violations, but the Justice Department conditioned its statement on representations by the consortium that the Vetco subsidiaries would implement a rigorous compliance program, including anticorruption controls, training, and other procedures. The companies, however, failed to implement a rigorous compliance program. Instead, they instituted procedures that failed to detect the corrupt payments, which continued to take place until 2005. Accordingly, the Justice Department imposed a substantial fine for the FCPA violations.

The Vetco subsidiaries pleaded guilty at a hearing before Judge Lynn N. Hughes in the Southern District of Texas. In pleading guilty, the Vetco subsidiaries agreed to (1) hire an independent monitor; (2) complete an investigation of the companies' conduct in other countries (as required in Opinion Release No. 04-02); and (3) ensure that future purchasers of the Vetco subsidiaries would agree to comply with the plea agreement.

This case highlights the U.S. government's continuing vigorous enforcement of the FCPA and the importance of maintaining a strong compliance program. The case also demonstrates the expansive jurisdictional scope of the FCPA and the issues that can arise in connection with FCPA due diligence in mergers and acquisitions.

* * * * * * * * * * * * * * *

If you have any questions concerning the foregoing or would like additional information, please contact Martin J. Weinstein (202-303-1122, mweinstein@willkie.com), Robert J. Meyer (202-303-1123, rmeyer@willkie.com), Jeffrey Clark (202-303-1139, jdclark@willkie.com), or the attorney with whom you regularly work.

Willkie Farr & Gallagher LLP is headquartered at 787 Seventh Avenue, New York, NY 10019-6099 and has an office located at 1875 K Street, NW, Washington, D.C., 20006-1238. Our New York telephone number is (212) 728-8000 and our facsimile number is (212) 728-8111. Our Washington, D.C. telephone number is (202) 303-1000 and our facsimile number is (202) 303-2000. Our website is located at www.willkie.com.

February 13, 2007