SEC Charges Texas-Based Layne Christensen Company With FCPA Violations

FOR IMMEDIATE RELEASE
2014-240

Washington D.C., Oct. 27, 2014 — The Securities and Exchange Commission today charged a global water management, construction, and drilling company headquartered in Texas with violating the Foreign Corrupt Practices Act (FCPA) by making improper payments to foreign officials in several African countries in order to obtain beneficial treatment and reduce its tax liability.

After Layne Christensen Company self-reported its misconduct, an SEC investigation determined that the company received approximately $3.9 million in unlawful benefits during a five-year period as a result of bribes typically paid through its subsidiaries in Africa and Australia. Some payments were funded through cash transfers from Layne's U.S. bank accounts.

In addition to self-reporting the misconduct, Layne cooperated with the SEC's investigation by providing real-time reports of its investigative findings, producing English language translations of documents, and making foreign witnesses available. The company also undertook an extensive remediation effort. Layne agreed to pay more than $5 million to settle the SEC's charges.

"Layne's lack of internal controls allowed improper payments to government officials in multiple countries to continue unabated for five years," said Kara Brockmeyer, Chief of the SEC Enforcement Division's FCPA Unit. "However, Layne self-reported its violations, cooperated fully with our investigation, and revamped its FCPA compliance program. Those measures were credited in determining the appropriate remedy."

According to the SEC's order instituting settled administrative proceedings, Layne's misconduct occurred from 2005 to 2010. In addition to favorable tax treatment, the improper payments helped the company obtain customs clearance, work permits, and relief from inspections by immigration and labor officials in various African countries.

Among the findings in the SEC's order:

- Layne paid nearly $800,000 to foreign officials in Mali, Guinea, and the Democratic Republic of the Congo (DRC) to reduce its tax liability and avoid associated penalties for delinquent payment. The bribes enabled Layne to realize more than $3.2 million in improper tax savings.
- Layne made improper payments to customs officials in Burkina Faso and the DRC to avoid paying customs duties and obtain clearance to import and export its equipment. The bribes were falsely recorded as legal fees and commissions in the company's books and records.
- Layne paid more than $23,000 in cash to police, border patrol, immigration officials, and labor inspectors in Burkina Faso, Guinea, Tanzania, and the DRC to obtain border entry for its equipment and employees. The bribes also helped secure work permits for its expatriate employees and avoid penalties for non-compliance with local immigration and labor regulations.

The SEC's order finds that Layne violated the anti-bribery, books and records, and internal controls provisions of the Securities Exchange Act of 1934. Layne agreed to pay $3,893,472.42 in disgorgement plus $858,720 in prejudgment interest as well as a $375,000 penalty amount that reflects Layne's self-reporting, remediation, and significant cooperation with the SEC's investigation. For a period of two years,

the settlement requires the company to report to the SEC on the status of its remediation and implementation of measures to comply with the FCPA. Layne consented to the order without admitting or denying the SEC's findings.

The SEC appreciates the assistance of the Fraud Section of the Department of Justice and the Federal Bureau of Investigation.

###

Related Materials

- SEC order