

No. 88-01

Date: May 12, 1988

Review Procedure Releases

The Department of Justice has received a review request from Mor-Flo Industries, Inc. and two of its subsidiaries (Mor-Flo). The requestor contemplates acquiring real property in Baja California, Mexico, upon which it intends to construct a facility for the production of gas and electric water heaters. In connection with this proposed project, Mor-Flo intends to participate in a program of the Government of Mexico known as the Capitalization of Liabilities as Substitution of Public Debt for Investment Program or the Debt-Equity Swap Program (Program). Under the program, Mor-Flo intends to acquire certain deeply discounted debt instruments of the Government of Mexico or agencies thereof and, through a Participation Agreement with a financial institution in the United States designated by the Government of Mexico as its agent for such actions, to exchange said debt paper with the Government of Mexico at an exchange rate established by that Government. The funds received by Mor-Flo in exchange for the debt paper will be restricted by the Government of Mexico to expenditures in Mexico for plant and equipment.

Mor-Flo represents that it has paid a fee to an agency of the Government of Mexico and that it will be required to pay a fee to the financial institution which is that Government's financial agent in the United States in order to participate in the program. These fees, which are represented to be approximately \$42,000 and \$320,000, respectively, are nonrefundable and have been and will be paid without the assurance of Mor-Flo's acceptance into the program.

Mor-Flo has represented that it will secure written confirmation from the financial institution to which a fee will be paid, that the institution is the duly authorized representative of the Government of Mexico and that none of the fees paid will be used for any purpose prohibited by the FCPA as well as the written opinion of Mexican counsel that the payment of fees to the Government of Mexico and to its financial representative does not violate any law, rule or regulation under Mexican law.

Based on the facts and circumstances disclosed to us by the requestor, the Department of Justice does not presently intend to take an enforcement action based on the requestor's proposed conduct.

The FCPA Review Letter and this Release have no application to any parties which did not join in the request, and can be relied upon by the requesting party only to the extent that the disclosure of facts and circumstances accurately and completely reflects such facts and circumstances.