



**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.**

Litigation Release No.17127 / September 12, 2001

Accounting and Auditing Enforcement Release No. 1446 /
September 12, 2001

**UNITED STATES OF AMERICA AND SECURITIES AND EXCHANGE
COMMISSION v. KPMG SIDDHARTA SIDDHARTA & HARSONO AND
SONNY HARSONO**, Civil Action No. H-01-3105 (S.D. Tex.) (filed
September 11, 2001)

**SEC AND DEPARTMENT OF JUSTICE FILE FIRST-EVER JOINT CIVIL
ACTION AGAINST KPMG SIDDHARTA SIDDHARTA & HARSONO AND
ITS PARTNER SONNY HARSONO FOR AUTHORIZING THE PAYMENT
OF A BRIBE IN INDONESIA**

On September 11, 2001, the Securities and Exchange Commission and the United States Department of Justice filed a joint civil injunctive action in the United States District Court for the Southern District of Texas, Houston Division, against KPMG Siddharta Siddharta & Harsono ("KPMG-SSH"), a public accounting firm in Jakarta, Indonesia and Sonny Harsono ("Harsono"), a partner of KPMG-SSH. KPMG-SSH is an affiliate firm of KPMG International. This is the first time that the Commission and the Department of Justice, both of which have jurisdiction over the antibribery provisions of the Foreign Corrupt Practices Act ("FCPA"), have combined to file a joint civil action.

The complaint alleges that in 1999, Harsono authorized KPMG-SSH personnel to bribe an Indonesian tax official on behalf of one of KPMG-SSH's clients, PT Eastman Christensen ("PTEC"), an Indonesian company beneficially owned by Baker Hughes Incorporated ("Baker Hughes"). KPMG-SSH agreed to make the illicit payment to influence the Indonesian tax official to reduce a tax assessment for PTEC from \$3.2 million to \$270,000. Harsono advised KPMG-SSH personnel that if Baker Hughes represented directly to KPMG-SSH, not through PTEC, that it wanted KPMG-SSH to make the illicit payment, KPMG-SSH would be willing to pay the Indonesian tax official. To conceal the improper payment, Harsono agreed with KPMG-SSH personnel that KPMG-SSH should generate an invoice that would include money for the payment to the Indonesian tax official and for KPMG-SSH's fees for services rendered. The false invoice, although purporting to be for professional services rendered, in reality represented \$75,000 to be paid to an Indonesian tax official, and the remainder for KPMG-SSH's actual fees and applicable taxes. After receiving the invoice, PTEC paid KPMG-SSH \$143,000 and improperly entered the transaction on its books and records as payment for professional services rendered. On March 23, 1999, PTEC received a tax assessment of approximately \$270,000 from the Indonesian government, almost \$3 million lower than the original assessment.

Without admitting or denying the allegations of the complaint, the defendants have consented to the entry of a Final Judgment that permanently enjoins both defendants from violating and aiding and abetting the violation of the antibribery provisions of the FCPA and the internal controls and books and records provisions of the Securities Exchange Act of 1934 ("Exchange Act") (Sections 104A(a)(1), (2) and (3) of the FCPA and Sections 30A(a)(1), (2) and (3), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act).

The Commission also filed, on September 11, 2001, a civil injunctive action in the United States District Court for the Southern District of Texas, Houston Division, against Mattson and Harris alleging that they authorized the payment of a bribe of \$75,000 through KPMG-SSH. Mattson and Harris directed that this payment be made while knowing that KPMG-SSH would pass all or part of the payment along to a foreign government official for the purpose of influencing the Indonesian tax official to issue a lower tax assessment for PTEC. The complaint alleges that Mattson and Harris violated Sections 30A(a) and 13(b)(5) of the Exchange Act and Exchange Act Rule 13b2-1 promulgated thereunder and aided and abetted Baker Hughes' violations of the books and records and internal controls provisions of the Exchange Act, Sections 13(b)(2)(A) and 13(b)(2)(B). See Litigation Release No. 17126 (September 12, 2001).

Finally, in a related action, the Commission instituted, on September 12, 2001, settled administrative proceedings against Baker Hughes. The Commission's Order finds that, in March 1999, Baker Hughes' CFO and its Controller authorized the above-described illegal payment, through KPMG-SSH, its agent in Indonesia, to a local government official in Indonesia. The Order also finds that in 1998 and 1995, senior managers at Baker Hughes authorized payments to Baker Hughes' agents in India and Brazil, respectively, without making an adequate inquiry as to whether the agents might give all or part of the payments to foreign government officials in violation of the FCPA. Without admitting or denying the Commission's findings, Baker Hughes consented to the entry of the Commission's Order. The Order directs that Baker Hughes cease and desist from committing or causing any violation and any future violation of the internal controls and books and records provisions of the Exchange Act (Sections 13(b)(2)(A) and Section 13(b)(2)(B) of the Exchange Act). See Securities Exchange Act Release No. 44784 (September 12, 2001); Accounting and Auditing Enforcement Release No. 1447.

The Commission wishes to thank the United States Department of Justice for its assistance in this matter.

<http://www.sec.gov/litigation/litreleases/lr17126.htm>



**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.**

Litigation Release No. 17126 \ September 12, 2001

Accounting and Auditing Enforcement Release No. 1445 /
September 12, 2001

**SECURITIES AND EXCHANGE COMMISSION v. ERIC L. MATTSON
AND JAMES W. HARRIS**, Civil Action No. H-01-3106 (S.D. Tex.)(filed
September 11, 2001)

**SEC SUES BAKER HUGHES INCORPORATED'S FORMER CHIEF
FINANCIAL OFFICER AND CONTROLLER FOR AUTHORIZING THE
PAYMENT OF A BRIBE**

On September 11, 2001, the Securities and Exchange Commission filed a civil injunctive action in the United States District Court for the Southern District of Texas, Houston Division, against Eric L. Mattson ("Mattson"), the former Chief Financial Officer of Baker Hughes Incorporated ("Baker Hughes"), and James W. Harris ("Harris"), Baker Hughes' former Controller. The Commission's complaint alleges that Mattson and Harris authorized the payment of a bribe of \$75,000, through KPMG-Siddharta Siddharta & Harsono ("KPMG-SSH"), Baker Hughes' agent and accountant in Indonesia, to a local government official in Indonesia. Mattson and Harris directed that this payment be made while knowing that KPMG-SSH would pass all or part of the payment along to an Indonesian tax official for the purpose of influencing him to reduce a tax assessment from \$3.2 million to \$270,000 for PT Eastman Christensen ("PTEC"), an Indonesian company beneficially owned by Baker Hughes. This improper payment was authorized in violation of the antibribery provisions of the Foreign Corrupt Practices Act ("FCPA")

The complaint alleges that on March 9, 1999, Harris was told that an Indonesian tax official was demanding a \$75,000 payment, in exchange for which he would reduce PTEC's tax assessment. Harris learned that KPMG-SSH had offered to make the improper payment on PTEC's behalf using PTEC's funds, and then issue an inflated invoice that would conceal the payment. The complaint further alleges that Baker Hughes' FCPA advisor advised Harris that any such payment to an Indonesian tax official would violate the FCPA. On March 10, 1999, Harris told Baker Hughes' General Counsel and Mattson of the Indonesian tax official's demand for an improper payment. During this meeting, the General Counsel stated that the Indonesian tax official's demands raised FCPA concerns and under no circumstances should Harris or Mattson enter into any transaction that could potentially violate the FCPA. On the evening of March 10, 1999, disregarding the FCPA advisor's instructions, and acting contrary to the advice of the General Counsel, defendants Mattson and Harris authorized the payment of the bribe to the Indonesian tax official. The complaint alleges that Mattson and Harris violated Sections 30A(a) and 13(b)(5) of

the Exchange Act and Exchange Act Rule 13b2-1 promulgated thereunder and aided and abetted Baker Hughes' violations of the books and records and internal controls provisions of the Exchange Act, Sections 13(b)(2)(A) and 13(b)(2)(B).

Also on September 11, 2001, the Securities and Exchange Commission and the Department of Justice filed a joint civil injunctive action in the United States District Court for the Southern District of Texas, Houston Division, against KPMG-SSH and Sonny Harsono, a partner of KPMG-SSH, for their part in the payment of the bribe to the Indonesian tax official. This is the first time that the Commission and the Department of Justice, both of which have jurisdiction over the antibribery provisions of the FCPA, have combined to file a joint civil action. Without admitting or denying the allegations of the complaint, the defendants have consented to the entry of a Final Judgment that permanently enjoins both defendants from violating and aiding and abetting the violation of the antibribery provisions of the FCPA and the internal controls and books and records provisions of the Securities and Exchange Act of 1934 ("Exchange Act") (Sections 104A(c)(1), (2) and (3) of the FCPA and Sections 30A(a)(1), (2) and (3), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act). See Litigation Release No. 17127 (September 12, 2001).

Finally, in a related action, the Commission also instituted, on September 12, 2001, a settled administrative proceeding against Baker Hughes. The Commission's Order finds that, in March 1999, Baker Hughes' CFO and its Controller authorized the above-described illegal payment, through KPMG-SSH, its agent in Indonesia, to a local government official in Indonesia. The Order also finds that in 1998 and 1995, senior managers at Baker Hughes authorized payments to Baker Hughes' agents in India and Brazil, respectively, without making an adequate inquiry as to whether the agents might give all or part of the payments to foreign government officials in violation of the FCPA. Without admitting or denying the Commission's findings, Baker Hughes consented to the entry of the Commission's Order. The Order directs that Baker Hughes cease and desist from committing or causing any violation and any future violation of the internal controls and books and records provisions of the Exchange Act (Sections 13(b)(2)(A) and Section 13(b)(2)(B) of the Exchange Act). See Securities Exchange Act Release No. 44784 (September 12, 2001); Accounting and Auditing Enforcement Release No. 1447.

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Modified: 09/12/2001



UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 44784 / September 12, 2001

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 1447 / September 12, 2001

ADMINISTRATIVE PROCEEDING
File No. 3-10572

In the Matter of

BAKER HUGHES INCORPORATED,

Respondent.

: ORDER INSTITUTING PUBLIC
: PROCEEDINGS PURSUANT TO
: SECTION 21C OF THE SECURITIES
: EXCHANGE ACT OF 1934, MAKING
: FINDINGS AND IMPOSING A
: CEASE-AND-DESIST ORDER
:

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Baker Hughes Incorporated ("Baker Hughes" or the "Respondent").

II.

In anticipation of the institution of these proceedings, Baker Hughes has submitted an Offer of Settlement ("Offer") which the Commission has determined to accept. Solely for the purpose of this proceeding, and any other proceeding brought by or on behalf of the Commission, or to which the Commission is a party, and prior to a hearing pursuant to the Commission's Rules of Practice, 17 C.F.R. §201.100 *et seq.*, the Respondent, without admitting or denying the findings contained in this Order Instituting Public Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), except that Respondent admits that the Commission has jurisdiction over it and over the subject matter of this proceeding, consents to the entry of this Order.

III.

The Commission makes the following findings:

A. Respondent

Baker Hughes Incorporated is a Delaware corporation headquartered in Houston, Texas. The company is engaged principally in the oilfield services industry and operates in more than 80 countries. Baker Hughes' common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act, and is listed on the New York Stock Exchange.

B. Other Relevant Persons and Entities

James W. Harris, age 42 and a Certified Public Accountant ("CPA"), was the Director of Taxes from 1994 to 1997, Vice President (Tax) from 1997, and Controller of Baker Hughes from 1998 until his resignation on May 21, 1999.

Eric L. Mattson, age 49, was the senior Vice President and Chief Financial Officer ("CFO") of Baker Hughes from 1993 until his resignation on May 21, 1999.

PT Eastman Christiensen ("PTEC") is an Indonesian corporation headquartered in Jakarta, Indonesia. PTEC is controlled by Baker Hughes and its financial results appear in the consolidated financial statements of Baker Hughes.

KPMG Siddharta Siddharta & Harsono ("KPMG") is a public accounting firm in Jakarta, Indonesia. KPMG is an affiliate firm of KPMG International, a Swiss association with member firms in 159 countries. In 1997, Baker Hughes retained KPMG as its accounting and tax consultants in Indonesia. KPMG reviewed PTEC's 1997 corporate tax returns and represented PTEC in the 1998 audit of its 1997 tax returns by the Indonesian Ministry of Finance, Directorate General of Taxation (the "Directorate General").

Sonny Harsono, an Indonesian citizen, is a senior KPMG partner in the offices of KPMG located in Jakarta, Indonesia.

IV.

FACTS

A. Summary

In March 1999, Baker Hughes' CFO and its Controller authorized an illegal payment, through KPMG, its agent in Indonesia, to a local government official in Indonesia. Baker Hughes, through its CFO and Controller, directed that this improper payment be made while knowing or aware that KPMG would pass all or part of the payment along to a foreign government official for the purpose of influencing the official's decision affecting the business of Baker Hughes. This improper payment was made in violation of the Foreign Corrupt Practices Act ("FCPA"). In addition, in 1998 and 1995, senior managers at Baker Hughes authorized payments to Baker Hughes' agents in India and Brazil, respectively, without making an adequate inquiry as to whether the agents might give all or part of the payments to foreign government officials in violation of the FCPA. Baker Hughes improperly recorded all three transactions in its books and records as routine business expenditures. In addition to its false books and records, Baker Hughes also failed to devise and maintain an adequate system of

internal accounting controls to detect and prevent improper payments to foreign government officials and to provide reasonable assurance that transactions were recorded as necessary to permit the preparation of financial statements in conformity with Generally Accepted Accounting Principles.

B. Baker Hughes Made an Improper Payment in Indonesia And Falsified its Books and Records

1. The Indonesian Ministry of Finance's Tax Assessment

In November 1998, the Indonesian Ministry of Finance's Directorate General of Taxation notified PTEC, an Indonesian corporation controlled by Baker Hughes, that it would soon begin a tax audit of PTEC's 1997 tax returns. Those returns claimed a substantial refund. The next month, the Directorate General commenced the tax audit. In February 1999, the Directorate General notified PTEC of its preliminary determination that PTEC's tax liability would be assessed at \$3.2 million. On February 26, 1999, as instructed by PTEC's Finance Manager, a PTEC employee contacted KPMG and instructed KPMG to represent PTEC before the Directorate General. Shortly after that initial contact, the PTEC Finance Manager told KPMG that the Indonesian tax official was seeking an improper payment.

KPMG immediately reviewed the preliminary determination by the Directorate General and concluded that the proposed \$3.2 million assessment against PTEC was incorrect. Initially, KPMG concurred with PTEC's determination that it was due a refund. KPMG contacted Baker Hughes' Asia-Pacific Tax Manager (the "Regional Tax Manager") based in Australia with oversight responsibility for Indonesian tax matters, and told him of its findings. KPMG suggested that it meet with the Directorate General in an attempt to reconcile the disparity between their respective findings. Following KPMG's advice, the Regional Tax Manager instructed KPMG to meet with the Directorate General to discuss the merits of the assessment and correct what KPMG believed was an incorrect tax assessment. During these meetings, the Indonesian tax official told KPMG that he was aware of PTEC's reputation of making "goodwill payments" to tax officials, and demanded a payment of \$200,000 in exchange for which he would reduce PTEC's tax assessment. KPMG initially rejected the Indonesian tax official's request for an illicit payment. On March 5, 1999, KPMG informed the Regional Tax Manager of the Indonesian tax official's demand for an illicit payment. During this conversation, the Regional Tax Manager instructed KPMG not to pay the Indonesian tax official but to challenge the assessment on its merits.

2. KPMG Discusses Making an Improper Payment

During several subsequent meetings between the Indonesian tax official and KPMG, the Indonesian tax official reiterated his demand for an improper payment. The KPMG Tax Manager assigned to the audit engagement ("KPMG Tax Manager"), who was an Australian citizen on secondment from KPMG Australia, informed the Regional Tax Manager of the Indonesian tax official's continuing demand for an illicit payment. In response, the Regional Tax Manager asked the KPMG Tax Manager to find out how much the Indonesian tax official wanted to reduce the assessment. Because it appeared to the KPMG Tax Manager that the Regional Tax Manager was considering making the illicit payment, the

KPMG Tax Manager met with Sonny Harsono, a senior KPMG partner, and told him about the Indonesian tax official's continuing demand for an illicit payment. Concerned about the applicability of the FCPA, the KPMG Tax Manager asked Harsono how to handle the Indonesian tax official's insistence on an illicit payment.

After listening to an explanation of the situation, Harsono advised the KPMG Tax Manager that the FCPA was an issue because PTEC was controlled by a U.S. public company and that KPMG should be careful in dealing with the Indonesian tax official's demand. Notwithstanding his recognition of the potential FCPA issues, Harsono advised the KPMG Tax Manager that if Baker Hughes represented directly to KPMG, not through PTEC, that it wanted KPMG to make the illicit payment, KPMG would be willing to pay the Indonesian tax official. To conceal the improper payment, Harsono agreed with the KPMG Tax Manager that KPMG should generate an invoice that would include money for the payment to the Indonesian tax official and for KPMG's fees for services rendered. As a result of his discussions with Harsono, the KPMG Tax Manager understood that PTEC would have to provide the funds to pay the Indonesian tax official.

3. KPMG Informs Baker Hughes of its Options

On March 8, 1999, the KPMG Tax Manager notified the Regional Tax Manager that despite repeated requests, the Indonesian tax official was unwilling to review the merits of the assessment without the improper payment. However, the KPMG Tax Manager further explained that the Indonesian tax official had told KPMG that he was now willing to reduce the assessment from \$3.2 million to \$270,000 in exchange for an improper payment of \$75,000. In addition, the KPMG Tax Manager told the Regional Tax Manager that he had consulted with Harsono and that Harsono had authorized him to make the illicit payment if Baker Hughes wanted KPMG to make the payment. Based on his discussion with Harsono, the KPMG Tax Manager told the Regional Tax Manager that, to conceal the improper payment, KPMG would issue a \$143,000 invoice for "professional services rendered." The \$143,000 was comprised of \$75,000 for the Indonesian tax official, plus KPMG's actual fees and applicable taxes. Further, the KPMG Tax Manager told the Regional Tax Manager that KPMG was unwilling to use its own funds to pay the Indonesian tax official, but rather required PTEC to provide the funds.

The KPMG Tax Manager concluded the conversation with the Regional Tax Manager by noting that there were only two options available to Baker Hughes: one, contest the \$3.2 million tax assessment which, under Indonesian law, would require immediate payment of the full assessment and perhaps as much as two years to resolve the issue; or two, make the illicit payment. The Regional Tax Manager told the KPMG Tax Manager that any decision to make the payment had to be made and authorized by senior management in Houston and that he intended to take this matter to them. In the meantime, the Regional Tax Manager told the KPMG Tax Manager to stall the Indonesian tax official and thus delay the issuance of the \$3.2 million tax assessment.

4. Baker Hughes' Senior Management Discuss the Proposed Transaction

On March 9, 1999, during a conference call, the Regional Tax Manager in Australia spoke to Harris, Baker Hughes' controller, located in Houston, and

to Baker Hughes' FCPA advisor ("FCPA advisor") in Washington, D.C. about the Indonesian tax official's demand for a \$75,000 improper payment, KPMG's offer to make the improper payment on PTEC's behalf using PTEC's funds, and the method by which KPMG would conceal the payment. Further, the Regional Tax Manager told Harris and the FCPA advisor that the Indonesian tax official had given PTEC only 48 hours to respond to his demand and, that if PTEC failed to meet his demand, he was prepared to issue the \$3.2 million tax assessment. The FCPA advisor advised Harris and the Regional Tax Manager that any payment to an Indonesian tax official under the circumstances described would violate the FCPA. In addition, the FCPA advisor instructed Harris and the Regional Tax Manager that for KPMG to continue working for PTEC, KPMG must first provide PTEC with specific written assurances that it would not make any illegal payments on behalf of PTEC to any Indonesian government official.

Shortly after the conference call, the Regional Tax Manager sent Harris a detailed e-mail delineating the events in Indonesia and apologizing for bringing this distasteful problem to Harris. In the e-mail, the Regional Tax Manager discussed the urgency of the problem and described the two options available to PTEC for resolving the tax problem that the KPMG Tax Manager previously had identified. The Regional Tax Manager identified the option of making the improper payment as the better one from a financial perspective because it would provide Baker Hughes "certainty" and save "significant profit and loss costs, associated with foreign exchange risks and cost of finance." He also told Harris that KPMG could characterize the improper payment as a "success fee."

On March 10, 1999, Harris told Baker Hughes' General Counsel and Mattson, Baker Hughes' CFO, of the Indonesian tax official's demand for an improper payment. During this meeting, Harris told the General Counsel and Mattson that he had talked with the FCPA advisor, who had advised him to obtain a letter from KPMG assuring Baker Hughes that it would not make any improper payments to any Indonesian government official on behalf of PTEC. The General Counsel stated that the Indonesian tax official's demands raised FCPA concerns. In response, Mattson asked the General Counsel why PTEC could not pay KPMG and not worry about what KPMG did with the money. The General Counsel responded by stating that Baker Hughes cannot bury its head in the sand and ignore the problem. The General Counsel instructed Mattson and Harris to continue working with the FCPA advisor, to follow any directions given by the FCPA advisor, and under no circumstances to enter into any transaction that could potentially violate the FCPA.

5. Baker Hughes' CFO and Controller Authorize the Improper Payment

On the evening of March 10, 1999, during a conference call with Mattson and Harris, the Regional Tax Manager reported that KPMG was unwilling to issue the specific letter requested by the FCPA advisor. However, the Regional Tax Manager said that KPMG indicated a willingness to issue its standard engagement letter in lieu of the letter specifically requested by the FCPA advisor. The Regional Tax Manager told Mattson and Harris that the standard engagement letter referenced KPMG's international code of conduct. In addition, the Regional Tax Manager told Mattson and Harris that PTEC's 48 hour grace period was fast running out and that the Indonesian tax official was threatening to issue the \$3.2 million assessment. Disregarding the FCPA advisor's instructions, and acting

contrary to the advice of the General Counsel, Mattson and Harris authorized the Regional Tax Manager to proceed with the "success fee" transaction without obtaining the specific letter that the FCPA advisor had instructed they obtain. After the conference call, the Regional Tax Manager called the KPMG Tax Manager to authorize him to proceed with the "success fee" transaction. The Regional Tax Manager also told the KPMG Tax Manager that the authorization came from the highest level in Houston, specifically the CFO.

On March 11, 1999, KPMG created and sent a false invoice to PTEC for \$143,000. Although the invoice purported to be for professional services rendered, in reality, it comprised the \$75,000 to be paid to the Indonesian tax official, and the remainder for KPMG's actual fees and applicable taxes. After receiving the invoice, PTEC paid KPMG \$143,000 and improperly entered the transaction on its books and records as payment for professional services rendered. On March 23, 1999, PTEC received a tax assessment of approximately \$270,000 from the Directorate General.

6. Baker Hughes Attempts to Unwind the Transaction and Takes Corrective Action

After Baker Hughes' General Counsel and FCPA advisor discovered that Mattson and Harris had authorized KPMG to make the improper payment to the Indonesian tax official to reduce PTEC's tax assessment, Baker Hughes embarked on a corrective course of conduct. In particular, the company: attempted to stop the payment to KPMG; instructed KPMG not to make the payment to the Indonesian tax official and to return the entire amount paid to KPMG; engaged outside counsel to report to the audit committee; voluntarily and promptly disclosed the misconduct to the Commission and the Department of Justice; disclosed the matter to its outside auditors and corrected its books and records; fired KPMG; asked for and obtained the resignation of those senior management officials responsible for the violative conduct; filed a formal objection to the \$270,000 assessment with the Directorate General and took steps to determine the correct tax deficiency; paid \$2.1 million to the Indonesian government, which it believed to be the correct tax assessment; and implemented enhanced FCPA policies and procedures. In addition, Baker Hughes cooperated with the Commission's investigation, including declining to assert its attorney-client privilege with respect to communications during the relevant time period concerning the Indonesian transaction.

As part of its ameliorative efforts, Baker Hughes demanded that KPMG issue a true and accurate invoice. KPMG returned Baker Hughes' \$75,000 plus related taxes and charges, and issued PTEC a true and accurate invoice in the amount of \$14,300 for professional services rendered.

C. The 1998 Transaction in India

In August 1998, Baker Hughes acquired the Western Atlas Corporation ("Western Atlas"). At that time, Western Geophysical Corporation ("Western Geophysical") was a subsidiary of Western Atlas providing, among other things, seismic services throughout the world for offshore geophysical exploration. With the acquisition of Western Atlas, Western Geophysical became a subsidiary of Baker Hughes.

In September 1998, under the terms of a contract signed in September 1996, with the Indian Oil and Natural Gas Commission, Western

Geophysical began preparations to perform various 3D seismic surveys in the Bay of Canby, India. In order for its foreign-flagged vessels to enter the Indian coastal waters and perform the seismic surveys, Western Geophysical was required to obtain shipping permits from the Director General of Shipping in Bombay, India. Before the Director General of Shipping could issue the permits, Western Geophysical had to obtain a "no objection certificate" from the Indian Coastal Commission ("ICC"), an organization of private Indian-flagged vessels, stating that there were no suitable Indian-flagged vessels available to carry out the seismic operations.

On October 14, 1998, while Western Geophysical's foreign-flagged vessels were en route to India, an agent for Western Geophysical was working on securing the permits from the Director General of Shipping. The agent contacted the General Manager for Western Geophysical's Far East, Australia and China Operations ("General Manager") who, at the time, was traveling in Hong Kong. The Western Geophysical agent told the General Manager that the company needed to obtain permits before its foreign-flagged vessels could enter Indian coastal waters. The Western Geophysical agent advised the General Manager that if the General Manager provided \$15,000, he might be able to get the permits issued. The General Manager authorized the agent to "take care of it." Shortly after the General Manager's authorization, the Western Geophysical agent obtained the necessary shipping permits, without obtaining the "no objection certificate."

Thereafter, the Western Geophysical agent requested a reimbursement of the \$15,000 payment. A Western Geophysical employee in the accounting department sent an e-mail to the General Manager in the United States seeking authorization to pay the agent. Without making an adequate inquiry to ensure that all or part of the \$15,000 would not be paid to a foreign government official in violation of the FCPA, the General Manager authorized the payment of \$15,000 to the Western Geophysical agent. Subsequently, Western Geophysical's accounting staff improperly recorded the \$15,000 payment: (a) without determining to whom the money ultimately would be paid or the specific purpose of the payment; and (b) by inaccurately describing the payment on its books and records as payment for a "Shipping Permit."

D. The 1995 Transaction in Brazil

In 1995, Baker Hughes planned and implemented a two part restructuring of its operations in Brazil. The first part of the restructuring involved merging several of Baker Hughes' Brazilian subsidiaries into Centrilift, another Baker Hughes subsidiary. Upon completion of the merger, Baker Hughes reincorporated and renamed Centrilift "Baker Hughes do Brasil Ltda." ("BHB"). The second part of the restructuring involved transferring the assets and liabilities of Baker Hughes Equipamentos Ltda. ("BHEL"), another Baker Hughes subsidiary, to BHB and leaving BHEL dormant. BHEL's Finance Director ("Finance Director") and Baker Hughes' International Tax Manager ("International Tax Manager"), who was also the team leader for the reorganization, believed that the restructuring, as planned, had to be completed by Baker Hughes' September 30, 1995 fiscal year end, in order for Baker Hughes to take a \$40 million U.S. tax deduction in that year. Before the restructuring became effective, Brazilian law required that BHB file various documents with, and receive the approval of, the Commercial Registry in Rio de Janeiro ("Commercial

Registry").

In August 1995, a Brazilian agent representing BHEL informed the Finance Director that he needed \$10,000 in order to obtain the approval from the Commercial Registry that was necessary to complete the restructuring within a week. The Finance Director sought approval for this payment from the International Tax Manager. The International Tax Manager informed his supervisor of the agent's request for \$10,000 to obtain the approval from the Commercial Registry. Without making an adequate inquiry to ensure that all or part of the \$10,000 would not be paid to a foreign government official in violation of the FCPA, Baker Hughes authorized the Finance Director to pay the \$10,000. Based on this authorization, the Finance Director paid the agent \$10,000 on August 30, 1995. Subsequently, Baker Hughes improperly recorded the \$10,000 payment: (a) without determining to whom the money ultimately would be paid or the specific purpose of the payment; and (b) by inaccurately describing the payment as an "advance payment for expenses related to the commercial registry board of Rio de Janeiro."

V.

LEGAL DISCUSSION

A. Applicable Law

The FCPA, first enacted in 1977, amended the Exchange Act to make it unlawful for U.S. issuers, or anyone acting at their behest, to make improper payments to any foreign official in order to obtain or retain business. Section 30A of the Exchange Act. In addition, the FCPA established accounting control requirements for issuers subject to either the registration or reporting provisions of the Exchange Act. Section 13 of the Exchange Act.

Section 13(b)(2)(A) of the Exchange Act requires every issuer with a class of securities registered pursuant to Section 12 of the Exchange Act to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer. Section 13(b)(2)(B) of the Exchange Act requires every issuer to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management's general or specific authorization; and (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets.

B. Violations by Baker Hughes

Baker Hughes, through its CFO and Controller, authorized PTEC to pay KPMG \$143,000 at a time when PTEC had a tax assessment matter pending before the Indonesian tax authorities. Baker Hughes' CFO and Controller knew or were aware of a high probability that KPMG intended to use \$75,000 of the \$143,000 to pay the Indonesian government tax official who was conducting PTEC's tax audit. Further, Baker Hughes' CFO and Controller knew that the \$75,000 payment to the Indonesian tax official was to be made to obtain a reduction in its tax assessment from \$3.2 million to approximately \$270,000. Subsequent to the payment to KPMG,

PTEC recorded the \$143,000 payment to KPMG on its books and records as payment for professional services rendered knowing that the entry did not accurately and fairly reflect the disposition of its assets. Such conduct violated the books and records and internal controls provisions of the Exchange Act, Sections 13(b)(2)(A) and (B).

Baker Hughes, through Western Geophysical's General Manager for Western Geophysical's Far East, Australia and China Operations, authorized Western Geophysical to pay one of its agents \$15,000 to obtain shipping permits from the Director General of Shipping. The General Manager authorized the \$15,000 payment without determining to whom the money ultimately would be paid or the specific purpose of the payment. In addition, Baker Hughes recorded the \$15,000 payment on its books and records in a manner that did not, in reasonable detail, accurately and fairly reflect the disposition of its assets. Accordingly, Baker Hughes' conduct violated the books and records and internal controls provisions of the Exchange Act, Sections 13(b)(2)(A) and (B).

Baker Hughes, through its Director of Taxes and International Tax Manager, authorized BHEL to pay one of its agents \$10,000 to obtain from the Commercial Registry the approval necessary to complete its restructuring. Baker Hughes authorized the \$10,000 payment without determining to whom the money ultimately would be paid or the specific purpose of the payment. In addition, Baker Hughes recorded the \$10,000 payment on its books and records in a manner that did not, in reasonable detail, accurately and fairly reflect the disposition of its assets. Accordingly, Baker Hughes' conduct violated the books and records and internal controls provisions of the Exchange Act, Sections 13(b)(2)(A) and (B).

VI.

FINDINGS

Based on the foregoing, the Commission finds that Respondent violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act. In determining to accept the offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded to the Commission staff.

VII.

ORDER

Accordingly, **IT IS HEREBY ORDERED**, pursuant to Section 21C of the Exchange Act, that Respondent cease and desist from committing or causing any violation and any future violation of:

(i) Section 13(b)(2)(A) of the Exchange Act by making and keeping books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the issuer, including, but not limited to, accurately and fairly reflecting any payment or gift, or the authorization of the payment of any money or the giving of anything of value to: (1) any foreign official; (2) any foreign political party or official thereof or any candidate for foreign political office; or (3) any person, while knowing that all or a portion of such money or thing of value will be given, directly or indirectly, to any foreign official, to any foreign political party or official thereof, or to any candidate for foreign political

office; whether such payment or gift is prohibited by Section 30A(a) of the Exchange Act, excepted by Section 30A(b) of the Exchange Act, or is subject to the affirmative defense under Section 30A(c) of the Exchange Act.

(ii) Section 13(b)(2)(B) of the Exchange Act by devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurances that: (1) transactions are executed in accordance with management's general or specific authorization; (2) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets. With respect to the requirements of 2(II), any payment or gift, or the authorization of the payment of any money or the giving of anything of value to: (1) any foreign official; (2) any foreign political party or official thereof or any candidate for foreign political office; or (3) any person, while knowing that all or a portion of such money or thing of value will be given, directly or indirectly, to any foreign official, to any foreign political party or official thereof, or to any candidate for foreign political office shall be recorded in sufficient detail to permit a determination of whether such payment or gift is prohibited by Section 30A(a) of the Exchange Act, excepted by Section 30A(b) of the Exchange Act, or is subject to the affirmative defense under Section 30A(c) of the Exchange Act; (3) access to assets is permitted only in accordance with management's general or specific authorization; and (4) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

By the Commission.

Jonathan G. Katz
Secretary

<http://www.sec.gov/litigation/admin/34-44784.htm>

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Modified: 09/12/2001

SEP 11 2001 JS

UNITED STATES OF AMERICA

and

UNITED STATES SECURITIES AND
EXCHANGE COMMISSION,

Plaintiffs,

v.

KPMG SIDDHARTA SIDDHARTA & HARSONO,

and

SONNY HARSONO,

Defendants.

MICHAEL N. MILBY, CLERK OF COURT

H - 01-3105

Civil Action
No. 01-CV _____

COMPLAINT

COMPLAINT FOR PERMANENT INJUNCTIVE RELIEF

Plaintiffs, United States of America and United States Securities and Exchange Commission ("Commission"), by their undersigned counsel, allege:

NATURE OF THE ACTION

1. This action concerns illegal conduct by defendants KPMG Siddharta Siddharta & Harsono ("KPMG-SSH") and Sonny Harsono ("Harsono"), who have engaged, are engaged and are about to engage in acts and practices which constitute violations of Section 104A(a) [15 U.S.C. § 78dd-3(a)] of the Foreign Corrupt Practices Act of 1977 ("FCPA") and Sections 30A(a), 13(b) (2) (A), and 13(b) (2) (B)

[15 U.S.C. § 78dd-1(a), 15 U.S.C. § 78m(b)(2)(A), and 15 U.S.C. § 78m(b)(2)(B)] of the Securities and Exchange Act of 1934 ("Exchange Act"). In 1999, Harsono authorized KPMG-SSH personnel to bribe an Indonesian tax official on behalf of one of KPMG-SSH's clients, PT Eastman Christensen ("PTEC"), an Indonesian company beneficially owned by Baker Hughes Incorporated ("Baker Hughes"), a Delaware corporation whose shares are listed on the New York Stock Exchange. KPMG-SSH agreed to make the illicit payment to influence the Indonesian tax official to issue a lower tax assessment for PTEC. Harsono also directed KPMG-SSH personnel to create a false invoice to PTEC to generate the money needed to pay the bribe and to conceal the purpose for which that money was to be used. Defendants KPMG-SSH and Harsono knew that the false invoice would be incorporated into the books and records of Baker Hughes, PTEC's beneficial owner, in violation of Sections 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. § 78m(b)(2)(A) and 15 U.S.C. § 78m(b)(2)(B)] of the Exchange Act.

2. By authorizing and facilitating the improper payment to an Indonesian government official, Defendant Harsono violated the antibribery provisions of the FCPA and the Exchange Act, Section 104A(a) [15 U.S.C. § 78dd-3(a)] and Section 30A(a) [15 U.S.C. § 78dd-1(a)]. In addition, by authorizing and facilitating the payment, and by creating and sending a false invoice to Baker Hughes for the purpose of generating and concealing the payment, Defendants Harsono and KPMG-SSH aided and abetted Baker Hughes' violations of

the antibribery, books and records, and internal controls provisions of the Exchange Act, Sections 30A(a), 13(b)(2)(A), and 13(b)(2)(B) [15 U.S.C. § 78dd-1(a), 15 U.S.C. § 78m(b)(2)(A), and 15 U.S.C. § 78m(b)(2)(B)].

3. The Plaintiffs United States of America and United States Securities and Exchange Commission bring this action to enjoin such acts and practices pursuant to Section 104A(d) [15 U.S.C. § 78dd-3(d)] of the FCPA and pursuant to Sections 30A(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78dd-1(a), 15 U.S.C. § 78m(b)(2)(A) and 15 U.S.C. § 78m(b)(2)(B)].

4. The defendants will, unless restrained and enjoined, continue to engage in the acts and practices set forth in this complaint and in acts and practices of similar purport and object.

5. The acts and practices constituting the violations herein have occurred within the Southern District of Texas, and elsewhere.

JURISDICTION

6. This Court has jurisdiction over this action pursuant to Section 104A(d) [15 U.S.C. § 78dd-3(d)] of the FCPA and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa].

7. The Plaintiffs United States of America and United States Securities and Exchange Commission bring this action pursuant to Sections 104A(d) [15 U.S.C. § 78dd-3(d)] of the FCPA and Sections 20(e) and 21(d) [15 U.S.C. §§ 78t(e) and 78u(d)] of the Exchange Act seeking injunctions against both defendants.

8. The defendants directly or indirectly used the means or instrumentalities of interstate commerce or of the mails in furtherance of the acts alleged herein.

DEFENDANTS

9. Defendant KPMG-SSH is a public accounting firm having its principal place of business in Jakarta, Indonesia. KPMG-SSH is an affiliate firm of KPMG International, a Swiss association with member firms in 159 countries. In 1997, Baker Hughes, through its affiliate PTEC, retained KPMG-SSH as its accounting and tax consultants in Indonesia. KPMG-SSH reviewed PTEC's 1997 corporate tax returns and represented PTEC in the 1998 audit of its 1997 tax returns by the Indonesian Ministry of Finance, Directorate General of Taxation (the "Directorate General"). KPMG-SSH is an "agent" of an "issuer" as those terms are used in Section 30A [15 U.S.C. § 78dd-1(a)] of the Exchange Act, and a "person other than an issuer or domestic concern" within the meaning of Section 104A(f)(1) [15 U.S.C. § 78dd-3(f)(1)] of the FCPA.

10. Defendant Harsono is an Indonesian national, resident in Jakarta, Indonesia, and is a senior partner of Defendant KPMG-SSH. Harsono is an "agent" of an "issuer" as those terms are used in Section 30A [15 U.S.C. § 78dd-1(a)] of the Exchange Act, and a "person other than an issuer or domestic concern" within the meaning of Section 104A(f)(1) [15 U.S.C. § 78dd-3(f)(1)] of the FCPA.

OTHER RELEVANT PERSONS AND ENTITIES

11. Baker Hughes Incorporated is a Delaware corporation headquartered in Houston, Texas. The company is engaged principally in the oilfield services industry and operates in more than 80 countries. Baker Hughes is an "issuer" as that term is defined in Section 3(a)(8) [15 U.S.C. § 78c(a)(8)] of the Exchange Act.

12. PT Eastman Christensen is an Indonesian corporation headquartered in Jakarta, Indonesia. PTEC is controlled by Baker Hughes and its financial results appear in the consolidated financial statements of Baker Hughes.

CLAIM FOR RELIEF

Violations of The FCPA and The Exchange Act

13. Paragraphs 1 through 12 are realleged and incorporated herein by reference.

The Indonesian Ministry of Finance's Tax Assessment

14. In November 1998, the Indonesian Ministry of Finance's Directorate General of Taxation notified PTEC that it would soon begin a tax audit of PTEC's 1997 tax returns. Those returns claimed a substantial refund. The next month, the Directorate General commenced the tax audit.

15. In February 1999, the Directorate General notified PTEC of its preliminary determination that PTEC's tax liability would be assessed at \$3.2 million. On February 26, 1999, as instructed by

PTEC's Finance Manager, a PTEC employee contacted KPMG-SSH and instructed KPMG-SSH to represent PTEC before the Directorate General. Shortly after that initial contact, the PTEC Finance Manager told KPMG-SSH that the Indonesian tax official was seeking an improper payment.

16. KPMG-SSH immediately reviewed the preliminary determination by the Directorate General and concluded that the proposed \$3.2 million assessment against PTEC was incorrect. Initially, KPMG-SSH concurred with PTEC's determination that it was due a refund. KPMG-SSH contacted Baker Hughes' Asia-Pacific Tax Manager ("BH Regional Tax Manager") based in Australia with oversight responsibility for Indonesian tax matters, and told him of its findings. KPMG-SSH suggested that it meet with the Directorate General in an attempt to reconcile the disparity between their respective findings.

17. Following KPMG-SSH's advice, the BH Regional Tax Manager instructed KPMG-SSH to meet with the Directorate General to discuss the merits of the assessment and correct what KPMG-SSH believed was an incorrect tax assessment. During these meetings, the Indonesian tax official told KPMG-SSH that he was aware of PTEC's reputation of making "goodwill payments" to tax officials, and demanded a payment of \$200,000 in exchange for which he would reduce PTEC's tax assessment. KPMG-SSH initially rejected the Indonesian tax official's request for an illicit payment.

18. On March 5, 1999, KPMG-SSH informed the BH Regional Tax Manager of the Indonesian tax official's demand for an illicit payment. During this conversation, the BH Regional Tax Manager instructed KPMG-SSH not to pay the Indonesian tax official but to challenge the assessment on its merits.

KPMG-SSH Discusses Making an Improper Payment

19. During several subsequent meetings between the Indonesian tax official and KPMG-SSH, the Indonesian tax official reiterated his demand for an improper payment. The KPMG-SSH Tax Manager assigned to the audit engagement ("KPMG-SSH Tax Manager"), who was an Australian citizen on secondment from KPMG Australia, informed the BH Regional Tax Manager of the Indonesian tax official's continuing demand for an illicit payment. In response, the BH Regional Tax Manager asked the KPMG-SSH Tax Manager to find out how much the Indonesian tax official wanted to reduce the assessment.

20. Because it appeared to the KPMG Tax Manager that the BH Regional Tax Manager was considering making the illicit payment, the KPMG Tax Manager met with Sonny Harsono, a senior KPMG-SSH partner, and told him about the Indonesian tax official's continuing demand for an illicit payment. Concerned about the applicability of the FCPA, the KPMG-SSH Tax Manager asked Harsono how to handle the Indonesian tax official's insistence for an illicit payment.

21. After listening to an explanation, Harsono advised the KPMG-SSH Tax Manager that the FCPA was an issue because PTEC was

controlled by a U.S. public company and that KPMG-SSH should be careful in dealing with the Indonesian tax official's demand. Notwithstanding his recognition of the potential FCPA issues, Harsono advised the KPMG-SSH Tax Manager that if Baker Hughes represented directly to KPMG-SSH, not through PTEC, that it wanted KPMG-SSH to make the illicit payment, KPMG-SSH would be willing to pay the Indonesian tax official. To conceal the improper payment, Harsono agreed with the KPMG-SSH Tax Manager that KPMG-SSH should generate an invoice that would include money for the payment to the Indonesian tax official and for KPMG-SSH's fees for services rendered. As a result of his discussions with Harsono, the KPMG-SSH Tax Manager understood that PTEC would have to provide the funds to pay the Indonesian tax official.

KPMG-SSH Informs Baker Hughes of its Options

22. On March 8, 1999, the KPMG-SSH Tax Manager notified the BH Regional Tax Manager that despite repeated requests, the Indonesian tax official was unwilling to review the merits of the assessment without the illicit payment. However, the KPMG-SSH Tax Manager further explained that the Indonesian tax official had told KPMG-SSH that he was now willing to reduce the assessment from \$3.2 million to \$270,000 in exchange for an illicit payment of \$75,000. In addition, the KPMG-SSH Tax Manager told the BH Regional Tax Manager that he had consulted with Harsono and that Harsono had authorized him to make the illicit payment if Baker Hughes wanted KPMG-SSH to do so. Based on his discussion with Harsono, the KPMG-

SSH Tax Manager told the BH Regional Tax Manager that, to conceal the illicit payment, KPMG-SSH would issue a \$143,000 invoice for "professional services rendered." The \$143,000 was comprised of \$75,000 for the Indonesian tax official, plus KPMG-SSH's actual fees and applicable taxes. Further, the KPMG-SSH Tax Manager told the BH Regional Tax Manager that KPMG-SSH was unwilling to use its own funds to pay the Indonesian tax official, but rather required PTEC to provide the funds.

23. The KPMG-SSH Tax Manager concluded the conversation with the BH Regional Tax Manager by noting that there were only two options available to Baker Hughes: one, contest the \$3.2 million tax assessment which, under Indonesian law, would require immediate payment of the full assessment and perhaps as much as two years to resolve the issue; or two, make the illicit payment. The BH Regional Tax Manager told the KPMG-SSH Tax Manager that any decision to make the payment had to be made and authorized by senior management in Houston and that he intended to take this matter to them. In the meantime, the BH Regional Tax Manager told the KPMG-SSH Tax Manager to stall the Indonesian tax official and thus delay the issuance of the \$3.2 million tax assessment.

**Baker Hughes' Senior Management
Discuss The Proposed Transaction**

24. On March 9, 1999, during a conference call, the BH Regional Tax Manager in Australia spoke to Baker Hughes' Vice President and Controller ("Controller") in Houston, and to Baker

Hughes' FCPA advisor ("FCPA advisor") in Washington, D.C., about the Indonesian tax official's demand for a \$75,000 illicit payment, KPMG-SSH's offer to make the improper payment on PTEC's behalf using PTEC's funds, and the method by which KPMG-SSH would conceal the payment. Further, the BH Regional Tax Manager told the Controller and the FCPA advisor that the Indonesian tax official had given PTEC only 48 hours to respond to his demand and, that if PTEC failed to meet his demand, he was prepared to issue the \$3.2 million tax assessment.

25. The FCPA advisor advised the Controller and the BH Regional Tax Manager that any payment to an Indonesian tax official under the circumstances described would violate the FCPA. In addition, the FCPA advisor instructed the Controller and the BH Regional Tax Manager that for KPMG-SSH to continue working for PTEC, KPMG-SSH must first provide PTEC with specific written assurances that it would not make any illegal payments on behalf of PTEC to any Indonesian government official.

26. Shortly after the conference call, the BH Regional Tax Manager sent the Controller a detailed e-mail delineating the events in Indonesia and apologizing for bringing this distasteful problem to the Controller. In the e-mail, the BH Regional Tax Manager discussed the urgency of the problem and described the two options available to PTEC for resolving the tax problem that the KPMG-SSH Tax Manager previously had identified. The BH Regional Tax Manager identified the option of making the improper payment as

the better one from a financial perspective because it would provide Baker Hughes "certainty" and save "significant profit and loss costs, associated with foreign exchange risks and cost of finance." He also told the Controller that KPMG-SSH could characterize the improper payment as a "success fee."

27. On March 10, 1999, the Controller told Baker Hughes' General Counsel and Baker Hughes' Senior Vice President and Chief Financial Officer ("CFO"), of the Indonesian tax official's demand for an improper payment. During this meeting, the Controller told the General Counsel and the CFO that he had talked with the FCPA advisor, who had advised him to obtain a letter from KPMG-SSH assuring Baker Hughes that it would not make any improper payments to any Indonesian government official on behalf of PTEC. The General Counsel stated that the Indonesian tax official's demands raised FCPA concerns. In response, the CFO asked the General Counsel why PTEC could not pay KPMG-SSH and not worry about what KPMG-SSH did with the money. The General Counsel responded by stating that Baker Hughes cannot bury its head in the sand and ignore the problem. The General Counsel instructed the CFO and the Controller to continue working with the FCPA advisor, to follow any directions given by the FCPA advisor, and under no circumstances to enter into any transaction that could potentially violate the FCPA.

**Baker Hughes' CFO and Controller
Authorize the Illicit Payment**

28. On the evening of March 10, 1999, during a conference call with the CFO and the Controller, the BH Regional Tax Manager reported that KPMG-SSH was unwilling to issue the specific letter requested by the FCPA advisor. However, the BH Regional Tax Manager said that KPMG-SSH indicated a willingness to issue its standard engagement letter in lieu of the letter specifically requested by the FCPA advisor. The BH Regional Tax Manager told the CFO and the Controller that the standard engagement letter referenced KPMG-SSH's international code of conduct. In addition, the BH Regional Tax Manager told the CFO and the Controller that PTEC's 48 hour grace period was fast running out and that the Indonesian tax official was threatening to issue the \$3.2 million assessment. Disregarding the FCPA advisor's instructions, and acting contrary to the advice of the General Counsel, the CFO and the Controller authorized the BH Regional Tax Manager to proceed with the "success fee" transaction without obtaining the specific letter that the FCPA advisor had instructed they obtain. After the conference call, the BH Regional Tax Manager called the KPMG-SSH Tax Manager to authorize him to proceed with the "success fee" transaction. The BH Regional Tax Manager also told the KPMG-SSH Tax Manager that the authorization came from the highest level in Houston, specifically the CFO.

29. On March 11, 1999, KPMG-SSH created and sent a false invoice to PTEC for \$143,000. Although the invoice purported to be for professional services rendered, in reality, it represented the \$75,000 to be paid to the Indonesian tax official, and the remainder for KPMG-SSH's actual fees and applicable taxes. After receiving the invoice, PTEC paid KPMG-SSH \$143,000 and improperly entered the transaction on its books and records as payment for professional services rendered. On March 23, 1999, PTEC received a tax assessment of approximately \$270,000 from the Directorate General.

**Baker Hughes Attempts to Unwind
the Transaction and Takes Corrective Action**

30. After Baker Hughes' General Counsel and FCPA advisor discovered that the CFO and the Controller had authorized KPMG-SSH to make the improper payment to the Indonesian tax official to reduce PTEC's tax assessment, Baker Hughes embarked on a corrective course of conduct. In particular, the company: attempted to stop the payment to KPMG-SSH; voluntarily and promptly disclosed the misconduct to the United States Securities and Exchange Commission and the Department of Justice; instructed KPMG-SSH not to make the payment to the Indonesian tax official and to return the entire amount paid to KPMG-SSH; disclosed the matter to its outside auditors and corrected its books and records; fired KPMG-SSH; asked for and obtained the resignation of those senior management officials responsible for the violative conduct; filed a formal

objection to the \$270,000 assessment with the Directorate General and took steps to determine the correct tax deficiency; and paid \$2.1 million to the Indonesian government, which it believed to be the correct tax assessment.

31. As part of its ameliorative efforts, Baker Hughes demanded that KPMG-SSH issue a true and accurate invoice. KPMG-SSH returned Baker Hughes' \$75,000 plus related taxes and charges, and issued PTEC a true and accurate invoice in the amount of \$14,300 for professional services rendered.

32. Harsono, on behalf of KPMG-SSH, authorized an illicit payment of \$75,000 to the Indonesian tax official on behalf of Baker Hughes. Thereafter, KPMG-SSH, acting through Harsono, agreed to make the illicit payment to the Indonesian tax official and issued a false invoice to Baker Hughes which KPMG-SSH and Harsono knew or should have known would be incorporated in the books and records of Baker Hughes, a publicly-held company. As a result:

(a) with respect to the jurisdiction of the Securities and Exchange Commission, Harsono violated Section 30A(a) [15 U.S.C. § 78dd-1(a)] of the Exchange Act, and KPMG-SSH and Harsono aided and abetted Baker Hughes' violations of Sections 13(b)(2)(A), 13(b)(2)(B) and 30A(a) [15 U.S.C. § 78m(b)(2)(A), and 15 U.S.C. §78m(b)(2)(B) and 15 U.S.C. § 78dd-1(a)] of the Exchange Act; and

(b) with respect to the jurisdiction of the United States Department of Justice, KPMG-SSH and Harsono violated 104A(a) [15 U.S.C. § 78dd-3(a)] of the FCPA.

Prayer For Relief

WHEREFORE, the United States and the United States Securities and Exchange Commission respectfully request that the Court enter:

I

A Final Judgment of Permanent Injunction restraining and enjoining defendants KPMG Siddharta Siddharta & Harsono and Sonny Harsono, their officers, agents, servants, employees, assigns, attorneys, and those persons in active concert or participation with them who receive actual notice of the Final Judgment of Permanent Injunction, and each of them, from violating, and from aiding and abetting a violation of, Sections 104A(a)(1), (2) and (3) of the Foreign Corrupt Practices Act of 1977 [15 U.S.C. § 78dd-3(a)(1), (2) and (3)], and Section 30A(a)(1), (2) and (3) [15 U.S.C. § 78dd-1(a)(1), (2) and (3)] of the Securities Exchange Act of 1934, directly or indirectly, by making use of the mails or any means or instrumentalities 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--

(1) any foreign official for purposes of--

(A) (i) influencing any act or decision of such foreign official in his official capacity, (ii) inducing such foreign official to do or omit to do any act in violation of the lawful duty of such official, or (iii) securing any improper advantage; or

(B) inducing such foreign official to use his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist such domestic concern in obtaining or retaining business for or with, or directing business to, any person;

(2) any foreign political party or official thereof or any candidate for foreign political office for purposes of--

(A) (i) influencing any act or decision of such party, official, or candidate in its or his official capacity, (ii) inducing such party, official, or candidate to do or omit to do an act in violation of the lawful duty of such party, official, or candidate, or (iii) securing any improper advantage; or

(B) inducing such party, official, or candidate to use its or his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist such domestic concern in obtaining or retaining business for or with, or directing business to, any person; or

(3) any person, while knowing that all or a portion of such money or thing of value will be offered, given, or promised, directly or indirectly, to any foreign official, to any foreign political party or official thereof, or to any candidate for foreign political office, for purposes of--

(A) (i) influencing any act or decision of such foreign official, political party, party official, or candidate in his or its official capacity, (ii) inducing such foreign official, political party, party official, or candidate to do or omit to do any act in violation of the lawful duty of such foreign official, political party, party official, or candidate, or (iii) securing any improper advantage; or

(B) inducing such foreign official, political party, party official, or candidate to use his or its influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality, in order to assist such domestic concern in obtaining or retaining business for or with, or directing business to, any person.

II.

A Final Judgment of Permanent Injunction restraining and enjoining defendants KPMG Siddharta Siddharta & Harsono and Sonny Harsono, their officers, agents, servants, employees, assigns, attorneys, and those persons in active concert or participation with them who receive actual notice of the Final Judgment of Permanent Injunction, and each of them, from violating Section 13(b)(2)(A) [15 U.S.C. § 78m(b)(2)(A)], of the Securities Exchange Act of 1934, directly or indirectly, by, with respect to any issuer which has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or any other issuer which is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)], aiding and abetting the issuer's failure to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer.

III.

A Final Judgment of Permanent Injunction restraining and enjoining defendants KPMG Siddharta Siddharta & Harsono and Sonny Harsono, their officers, agents, servants, employees, assigns, attorneys, and those persons in active concert or participation with them who receive actual notice of the Final Judgment of Permanent Injunction, from violating Section 13(b)(2)(B) [15 U.S.C. § 78m(b)(2)(B)], of the Securities Exchange Act of 1934, directly or indirectly, by, with respect to any issuer which has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or any other issuer which is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)], aiding and abetting the issuer's failure to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that -

- (i) transactions are executed in accordance with management's general or specific authorization;
- (ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets;
- (iii) access to assets is permitted only in accordance with management's general or specific authorization; and

(iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

IV.

That the Court grant such further relief as it may deem just and appropriate.

Dated: September 10, 2001

Respectfully submitted,

Gregory A. Serres
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which it admits, hereby consents, to the entry, without further notice, of the Judgment of Permanent Injunction and Other Relief as to Defendant KPMG Siddharta Siddharta & Harsono ("Judgment") in the form annexed hereto and incorporated by reference herein, which, among other things: permanently restrains and enjoins KPMG-SSH from violating and from aiding and abetting a violation of, Sections 104A(a)(1), (2) and (3) of the Foreign Corrupt Practices Act of 1977 [15 U.S.C. § 78dd-3(a)(1), (2) and (3)], and Sections 30A(a)(1), (2) and (3), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934, [15 U.S.C. § 78dd-1(a)(1), (2) and (3), 15 U.S.C. § 78m(b)(2)(A), and 15 U.S.C. § 78m(b)(2)(B)].

3. KPMG-SSH understands and agrees to comply with the policy of Securities and Exchange Commission ("Commission") "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegations in the complaint or order for proceedings" [17 C.F.R. § 202.5(e)]. In compliance with this policy, KPMG-SSH agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the Complaint or creating the impression that the Complaint is without factual basis. If KPMG-SSH breaches this agreement, the Commission may petition the

Court to vacate the Judgment and restore this case to its active docket. Nothing in this provision affects KPMG-SSH's: (i) testimonial obligations; or (ii) right to take legal positions in proceedings in which the Commission or the United States is not a party.

4. KPMG-SSH waives the filing of an answer to the Complaint, and waives a hearing and the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

5. KPMG-SSH waives any right it may have to appeal from the entry of the Judgment.

6. KPMG-SSH enters into this Consent and Undertakings of Defendant KPMG Siddharta Siddharta & Harsono ("Consent") voluntarily and of its own accord, and represents that no threats, offers, promises or inducements of any kind have been made by Plaintiffs or any member, officer, employee, agent or representative thereof to induce it to enter into this Consent.

7. Consistent with the provisions of 17 C.F.R. § 202.5(f), KPMG-SSH waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy herein.

8. KPMG-SSH agrees that this Consent shall be incorporated into the Judgment with the same force and effect as if fully set forth therein.

9. KPMG-SSH agrees that it will not oppose the enforcement of the Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and it hereby waives any objection it may have based thereon.

10. KPMG-SSH agrees that the Judgment may be presented by the Plaintiffs to the Court for signature and entry without further notice.

11. KPMG-SSH waives service of the Judgment entered herein upon it and agrees that entry of the Judgment by the Court and its filing with the Clerk for the United States District Court for the Southern District of Texas, Houston Division will constitute notice to it of the terms and conditions of the Judgment.

12. KPMG-SSH agrees that this Court shall retain jurisdiction over this action for the purpose of implementing and enforcing the terms and conditions of the Judgment and for all other purposes.

13. KPMG-SSH agrees and undertakes that, at the Plaintiffs' request on reasonable notice and without service of a subpoena, it will: cooperate with the

Plaintiffs and their agents and staff and truthfully disclose all information with respect to its activities and the activities of others about which the Plaintiffs or their agents and staff may inquire with respect to the matters alleged in the Complaint or in any related action that the Plaintiffs bring; direct that its employees, agents and representatives testify in all civil and criminal investigations, administrative and judicial proceedings at which the Plaintiffs or their agents and staff make requests for such testimony; direct that its employees, agents and representatives be available as may be required by the Plaintiffs or their agents and staff; produce any documents within its possession, custody or control, domestic or foreign, which are requested by the Plaintiffs or their agents and staff; and direct that its employees, agents and representatives produce any

documents within their possession, custody or control, domestic or foreign, which are requested by the Plaintiffs or their agents and staff.

Respectfully submitted,

KPMG Siddharta Siddharta & Harsono

By: _____

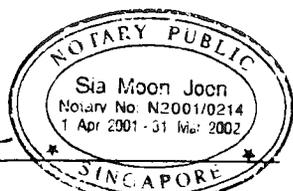
Name: AHMADI HADIBROTO

Title: PARTNER

Date: 29 - 8 - 2001

On this 29 day of August, 2001, AHMADI HADIBROTO, the Partner of KPMG Siddharta Siddharta & Harsono, being known to me to be the person who executed the foregoing Consent and Undertakings of Defendant KPMG Siddharta Siddharta & Harsono, personally appeared before me and did duly acknowledge to me that he executed the same.


NOTARY PUBLIC



Approved as to Form:

William J. Linklater, by kel Date: 31 August 2001
William J. Linklater, Esq.
Baker & McKenzie
One Prudential Plaza
130 East Randolph Drive
Chicago, Illinois 60601

Counsel to KPMG Siddharta Siddharta & Harsono

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES COURTS
SOUTHERN DISTRICT OF TEXAS
FILED
SEP 11 2011 JS
MICHAEL N. MILBY, CLERK OF COURT

UNITED STATES OF AMERICA

and

UNITED STATES SECURITIES AND
EXCHANGE COMMISSION,

Plaintiffs,

v.

KPMG SIDDHARTA SIDDHARTA & HARSONO,

and

SONNY HARSONO,

Defendants.

H

-01-3105

Civil Action
No. 01-CV _____

FINAL JUDGMENT OF PERMANENT INJUNCTION
AS TO DEFENDANT KPMG SIDDHARTA SIDDARTA & HARSONO

Defendant KPMG SIDDARTA SIDDARTA & HARSONO ("KPMG-SSH")
having (i) entered a general appearance; (ii) consented to the
Court's jurisdiction over Defendant and the subject matter of
this action; (iii) without admitting or denying the allegations
of the Complaint, consented to entry of this Final Judgment
without further notice; (iv) waived findings of fact and
conclusions of law; and (v) waived any right to appeal from this
Judgment, it is now

ORDERED, ADJUDGED AND DECREED that Defendant KPMG-SSH, and its officers, agents, servants, employees, attorneys-in-fact, and those persons in active concert or participation with it who receive actual notice of this Final Judgment, are permanently restrained and enjoined from:

(a) violating and aiding and abetting a violation of Sections 104A(a)(1),(2) and (3) of the Foreign Corrupt Practices Act of 1977 [15 U.S.C. § 78dd-3(a)(1),(2) and (3)], and Section 30A(a)(1),(2) and (3) [15 U.S.C. § 78dd-1(a)(1),(2) and (3)], of the Securities Exchange Act of 1934, by, directly or indirectly, making use of the mails or any means or instrumentalities 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--

(1) any foreign official for purposes of--

(A) (i) influencing any act or decision of such foreign official in his official capacity, (ii) inducing such foreign official to do or omit to do any act in violation of the lawful

duty of such official, or (iii) securing any improper advantage; or
(B) inducing such foreign official to use his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist such domestic concern in obtaining or retaining business for or with, or directing business to, any person;

(2) any foreign political party or official thereof or any candidate for foreign political office for purposes of--

(A) (i) influencing any act or decision of such party, official, or candidate in its or his official capacity, (ii) inducing such party, official, or candidate to do or omit to do an act in violation of the lawful duty of such party, official, or candidate, or (iii) securing any improper advantage; or

(B) inducing such party, official, or candidate to use its or his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist such domestic concern in obtaining or retaining business for or with, or directing business to, any person; or

(3) any person, while knowing that all or a portion of such money or thing of value will be offered, given, or promised, directly or indirectly, to any foreign official, to any foreign political party or official thereof, or to any candidate for foreign political office, for purposes of--

(A) (i) influencing any act or decision of such foreign official, political party, party official, or candidate in his or its official capacity, (ii) inducing such foreign official, political party, party official, or candidate to do or omit

to do any act in violation of the lawful duty of such foreign official, political party, party official, or candidate, or (iii) securing any improper advantage; or

(B) inducing such foreign official, political party, party official, or candidate to use his or its influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist such domestic concern in obtaining or retaining business for or with, or directing business to, any person.

(b) violating Section 13(b)(2)(A) [15 U.S.C. § 78m(b)(2)(A)], of the Securities Exchange Act of 1934, directly or indirectly, by, with respect to any issuer which has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 781] or any other issuer which is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)], aiding and abetting the issuer's failure to make and keep books, records and accounts, which, in reasonable detail,

accurately and fairly reflect the transactions and dispositions of the assets of the issuer.

(c) violating Section 13(b)(2)(B) [15 U.S.C. § 78m(b)(2)(B)], of the Securities Exchange Act of 1934, directly or indirectly, by, with respect to any issuer which has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or any other issuer which is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)], aiding and abetting the issuer's failure to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that—

(i) transactions are executed in accordance with management's general or specific authorization;

(ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets;

(iii) access to assets is permitted only in accordance with management's general or specific authorization; and

(iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

ORDERED, ADJUDGED AND DECREED that the annexed Consent be, and the same hereby is, incorporated herein by reference with the same force and effect as if fully set forth herein.

There being no just reason for delay, the Clerk is hereby ordered, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, to enter this Final Judgment without further notice.

SO ORDERED, this ___ day of _____, 2001.

UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF TEXAS HOUSTON DIVISION
UNITED STATES COURTS SOUTHERN DISTRICT OF TEXAS FILED

SEP 11 2001 JS

UNITED STATES OF AMERICA

and

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,

Plaintiffs,

v.

KPMG SIDDHARTA SIDDHARTA & HARSONO,

and

SONNY HARSONO,

Defendants.

MICHAEL N. MILBY, CLERK OF COURT

Civil Action

No. 01-CV

H

- 01 - 3105

**FINAL JUDGMENT OF PERMANENT INJUNCTION
AS TO DEFENDANT SONNY HARSONO**

Defendant SONNY HARSONO having (i) entered a general appearance; (ii) consented to the Court's jurisdiction over Defendant and the subject matter of this action; (iii) without admitting or denying the allegations of the Complaint, consented to entry of this Final Judgment without further notice; (iv) waived findings of fact and conclusions of law; and (v) waived any right to appeal from this Judgment, it is now

ORDERED, ADJUDGED AND DECREED that Defendant HARSONO, and his officers, agents, servants, employees, attorneys-

in-fact, and those persons in active concert or participation with him who receive actual notice of this Final Judgment, are permanently restrained and enjoined from:

(a) violating and aiding and abetting a violation of Sections 104A(a)(1), (2) and (3) of the Foreign Corrupt Practices Act of 1977 [15 U.S.C. § 78dd-3(a)(1), (2) and (3)], and Section 30A(a)(1), (2) and (3) [15 U.S.C. § 78dd-1(a)(1), (2) and (3)], of the Securities Exchange Act of 1934, by, directly or indirectly, making use of the mails or any means or instrumentalities 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--

(1) any foreign official for purposes of--

(A) (i) influencing any act or decision of such foreign official in his official capacity, (ii) inducing such foreign official to do or omit to do any act in violation of the lawful duty of such official, or (iii) securing any improper advantage; or

(B) inducing such foreign official to use his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist such domestic concern in obtaining or retaining business for or with, or directing business to, any person;

(2) any foreign political party or official thereof or any candidate for foreign political office for purposes of--

(A) (i) influencing any act or decision of such party, official, or candidate in its or his official capacity, (ii) inducing such party, official, or candidate to do or omit to do an act in violation of the lawful duty of such party, official, or candidate, or (iii) securing any improper advantage; or

(B) inducing such party, official, or candidate to use its or his influence with a foreign government or

instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist such domestic concern in obtaining or retaining business for or with, or directing business to, any person; or

(3) any person, while knowing that all or a portion of such money or thing of value will be offered, given, or promised, directly or indirectly, to any foreign official, to any foreign political party or official thereof, or to any candidate for foreign political office, for purposes of--

(A) (i) influencing any act or decision of such foreign official, political party, party official, or candidate in his or its official capacity, (ii) inducing such foreign official, political party, party official, or candidate to do or omit to do any act in violation of the lawful duty of such foreign official, political party, party official, or

candidate, or (iii) securing any improper advantage; or

(B) inducing such foreign official, political party, party official, or candidate to use his or its influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist such domestic concern in obtaining or retaining business for or with, or directing business to, any person.

(b) violating Section 13(b)(2)(A) [15 U.S.C. § 78m(b)(2)(A)], of the Securities Exchange Act of 1934, directly or indirectly, by, with respect to any issuer which has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or any other issuer which is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)], aiding and abetting the issuer's failure to make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer.

(c) violating Section 13(b)(2)(B) [15 U.S.C. § 78m(b)(2)(B)], of the Securities Exchange Act of 1934, directly or indirectly, by, with respect to any issuer which has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or any other issuer which is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)], aiding and abetting the issuer's failure to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that-

(i) transactions are executed in accordance with management's general or specific authorization;

(ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets;

(iii) access to assets is permitted only in accordance with management's general or specific authorization; and

(iv) the recorded accountability for assets is compared with the existing assets at reasonable

intervals and appropriate action is taken with respect to any differences.

ORDERED, ADJUDGED AND DECREED that the annexed Consent be, and the same hereby is, incorporated herein by reference with the same force and effect as if fully set forth herein.

There being no just reason for delay, the Clerk is hereby ordered, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, to enter this Final Judgment without further notice.

SO ORDERED, this ___ day of _____, 2001.

UNITED STATES DISTRICT JUDGE

SEP 11 2001 JS

UNITED STATES OF AMERICA

and

UNITED STATES SECURITIES AND
EXCHANGE COMMISSION,

Plaintiffs,

v.

KPMG SIDDHARTA SIDDHARTA & HARSONO,

and

SONNY HARSONO,

Defendants.

MICHAEL N. MILBY, CLERK OF COURT

H - 01 - 3105

Civil Action
No. 01-CV _____

**CONSENT AND UNDERTAKING OF
DEFENDANT SONNY HARSONO**

1. Defendant Sonny Harsono ("Harsono") enters a general appearance, admits the jurisdiction of this Court over him and the subject matter of this action, acknowledges service upon him of the Complaint of Plaintiffs United States of America and United States Securities and Exchange Commission ("Complaint") in this action.

2. Harsono, without admitting or denying any of the allegations in the Complaint, except as to jurisdiction, which he admits, hereby consents, to the entry, without

further notice, of the Judgment of Permanent Injunction and Other Relief as to Defendant Sonny Harsono ("Judgment") in the form annexed hereto and incorporated by reference herein, which, among other things: permanently restrains and enjoins Harsono from violating and from aiding and abetting a violation of, Sections 104A(a)(1), (2) and (3) of the Foreign Corrupt Practices Act of 1977 [15 U.S.C. § 78dd-3(a)(1), (2) and (3)], and Sections 30A(a)(1), (2) and (3), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934, [15 U.S.C. § 78dd-1(a)(1), (2) and (3), 15 U.S.C. § 78m(b)(2)(A), and 15 U.S.C. § 78m(b)(2)(B)].

3. Harsono understands and agrees to comply with the policy of Securities and Exchange Commission ("Commission") "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegations in the complaint or order for proceedings" [17 C.F.R. § 202.5(e)]. In compliance with this policy, Harsono agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the Complaint or creating the impression that the Complaint is without factual basis. If HARSONO breaches this agreement, the Commission may petition the Court to vacate the Judgment and restore this case to its active docket. Nothing in this provision affects Harsono's:

(i) testimonial obligations; or (ii) right to take legal positions in proceedings in which the Commission or the United States is not a party.

4. Harsono waives the filing of an answer to the Complaint, and waives a hearing and the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

5. Harsono waives any right he may have to appeal from the entry of the Judgment.

6. Harsono enters into this Consent and Undertakings of Defendant Sonny Harsono ("Consent") voluntarily and of his own accord, and represents that no threats, offers, promises or inducements of any kind have been made by Plaintiffs or any member, officer, employee, agent or representative thereof to induce him to enter into this Consent.

7. Consistent with the provisions of 17 C.F.R. § 202.5(f), Harsono waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy herein.

8. Harsono agrees that this Consent shall be incorporated into the Judgment with the same force and effect as if fully set forth therein.

9. Harsono agrees that he will not oppose the enforcement of the Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and he hereby waives any objection he may have based thereon.

10. Harsono agrees that the Judgment may be presented by the Plaintiffs to the Court for signature and entry without further notice.

11. Harsono waives service of the Judgment entered herein upon him and agrees that entry of the Judgment by the Court and its filing with the Clerk for the United States District Court for the Southern District of Texas, Houston Division will constitute notice to him of the terms and conditions of the Judgment.

12. Harsono agrees that this Court shall retain jurisdiction over this action for the purpose of implementing and enforcing the terms and conditions of the Judgment and for all other purposes.

13. Harsono agrees and undertakes that, at the Plaintiffs' request on reasonable notice and without service of a subpoena, he will: (i) produce any documents within his possession, custody or control, domestic or foreign, which are requested by the Plaintiffs or their agents and staff; (ii) testify truthfully at any judicial

or administrative proceeding arising as a result of the Plaintiffs' investigation; and (iii) submit to interviews with the Plaintiffs' staff in anticipation of any such testimony.

Respectfully submitted,

Sonny Harsono

By: 
Name: Sonny HARSONO.
Title:

Date: 29 AUGUST 2001.

On this 29 day of August, 2001, before me personally appeared Sonny Harsono, known to me to be the person who executed the foregoing Consent and Undertakings of Sonny Harsono, and he acknowledged to me that he executed the same.



NOTARY PUBLIC



Approved as to Form:

Robert W. Tarun, by kel

Robert W. Tarun, Esq.
Winston & Strawn
35 West Wacker Drive
Chicago, Illinois 60601

Date: 31 August 2001

Counsel to Sonny Harsono