

FILED
2014 APR -9 A 9:10
RICHARD W. WICKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

1 MELINDA HAAG (CABN 132612)
United States Attorney

2 ADAM A. REEVES (NYBN 2363877)
3 Assistant United States Attorney

4 450 Golden Gate Ave., Box 36055
5 San Francisco, California 94102
6 Telephone: (415) 436-7157
7 Fax: (415) 436-7234
8 E-Mail: adam.reeves@usdoj.gov

9 JEFFREY H. KNOX (NYBN 3055183)
10 Chief, Fraud Section, Criminal Division
11 United States Department of Justice

12 RYAN ROHLFSEN (ILBN 6274187)
13 JASON LINDER (CABN 212665)
14 Trial Attorneys, Fraud Section, Criminal Division

15 U.S. Department of Justice
16 1400 New York Ave., NW
17 Washington, DC 20530
18 Telephone: (202) 514-7023
19 E-Mail: Ryan.Rohlfesen@usdoj.gov

20 Attorneys for United States of America

DLJ

21 UNITED STATES DISTRICT COURT
22 NORTHERN DISTRICT OF CALIFORNIA
23 SAN JOSE DIVISION

24 UNITED STATES OF AMERICA,

25 Plaintiff,

26 v.

27 ZAO HEWLETT-PACKARD A.O.

28 Defendant.

CR Case No. 14 201

18 U.S.C. § 371: Conspiracy
15 U.S.C. § 78dd-3: FCPA
15 U.S.C. §§ 78m and 78ff: Internal
Controls and Books and Records
18 U.S.C. § 2

INFORMATION

The United States charges that, at all times relevant to this Information, unless otherwise stated:

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1 GENERAL ALLEGATIONS

2 *The Foreign Corrupt Practices Act*

3 1. The Foreign Corrupt Practices Act of 1977 ("FCPA"), as amended, Title 15, United
4 States Code, Sections 78dd-1, *et seq.*, prohibited certain classes of persons and entities from corruptly
5 offering, paying, promising to pay, or authorizing the payment of any money or anything of value,
6 directly or indirectly, to a foreign government official for the purposes of obtaining or retaining business
7 for, or directing business to, any person. The FCPA also required certain entities to maintain accurate
8 books and records and adequate internal accounting controls.

9
10 2. In relevant part, the FCPA's anti-bribery provisions specifically prohibited any person,
11 other than an issuer or domestic concern, while in the territory of the United States, from making use of
12 the mails or any means or instrumentality of interstate commerce or to do any other act corruptly in
13 furtherance of an offer, payment, promise to pay, or authorization of the payment of money or anything
14 of value to any person while knowing that all or a portion of such money or thing of value would be
15 offered, given, or promised, directly or indirectly, to a foreign official for the purpose of assisting in
16 obtaining or retaining business for or with, or directing business to, any person. 15 U.S.C. § 78dd-
17 3(a)(1), (a)(3).

18
19 3. The FCPA also required any issuer of publicly traded securities registered pursuant to
20 Section 12(b) of the Securities Exchange Act of 1934, ("the Exchange Act"), 15 U.S.C. § 78l, or
21 required to file periodic reports with the United States Securities and Exchange Commission ("SEC")
22 under Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d) (hereinafter "issuer"), to make and keep
23 books, records, and accounts that accurately and fairly reflect the transactions and disposition of the
24 company's assets, and prohibited the knowing falsification of an issuer's books, records, or accounts. 15
25 U.S.C. §§ 78m(b)(2)(A), 78m(b)(5), and 78ff(a). The FCPA's accounting provisions also required that
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1 issuers maintain a system of internal accounting controls sufficient to provide reasonable assurances
2 that: (i) transactions were executed in accordance with management's general or specific authorization;
3 (ii) transactions were recorded as necessary to (I) permit preparation of financial statements in
4 conformity with generally accepted accounting principles or any other criteria applicable to such
5 statements, and (II) maintain accountability for assets; (iii) access to assets was permitted only in
6 accordance with management's general or specific authorization; and (iv) the recorded accountability for
7 assets was compared with the existing assets at reasonable intervals, and appropriate action was taken
8 with respect to any differences. 15 U.S.C. § 78m(b)(2)(B). The FCPA also prohibited the knowing
9 circumvention of, or knowing failure to implement, such a system of internal accounting controls. 15
10 U.S.C. §§ 78m(b)(5) and 78ff(a).

11 *Relevant Corporate Entities and Employees*

12
13
14 4. At all times relevant to this Information, Hewlett-Packard Company ("HP Co.") and all
15 of its direct or indirect affiliates or subsidiaries (collectively, "HP") was a technology company
16 headquartered in Palo Alto, California, and incorporated in Delaware. HP was a global provider of
17 personal computing devices, information technology infrastructure, and imaging and printing products
18 and services. HP employed more than 300,000 employees worldwide.

19
20 5. From at least in or around 2000 until the filing of this Information, HP Co. issued and
21 maintained a class of publicly traded securities registered pursuant to Section 12(b) of the Exchange Act
22 (15 U.S.C. § 78l) and was required to file periodic reports with the SEC under the Exchange Act (15
23 U.S.C. § 78m). Accordingly, HP Co. was an issuer within the meaning of the FCPA, Title 15, United
24 States Code, Section 78dd-1.

25
26 6. HP's global operations were organized by (1) business units, based on the types of
27 products and services offered, (2) sales regions, and (3) wholly owned or indirect subsidiaries. HP

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1 reported earnings from operations, net revenue, and assets by business unit. HP Co.'s financial
2 statements reflected the performance of its international subsidiaries.

3 7. In or about 2003, HP's principal business units included the Enterprise Systems Group
4 ("ESG"), which provided servers, storage, and software solutions; HP Services ("HPS"), which included
5 consulting and integration, technology services, and managed services; and others.

6 8. HP's operations were also organized by sales region and multiple layers of sub-regions.
7 The three principal sales regions were Europe, Middle East, and Africa ("EMEA"); Americas; and Asia
8 Pacific Japan. EMEA, which was headquartered in Switzerland, comprised several sub-regions,
9 including International Sales Europe ("ISE"). ISE, in turn, comprised further sub-regions, including
10 Central and Eastern Europe ("CEE"). Finally, CEE also comprised several sub-regions, including
11 among others, the Commonwealth of Independent States ("CIS") and Russia.

12 9. Within the international sales regions, HP business units employed personnel and
13 transacted business through wholly owned or indirect subsidiaries. Each subsidiary in EMEA
14 designated one or more "statutory directors" to execute contracts on behalf of the subsidiary (or
15 designate others to do so) and otherwise manage subsidiary operations. The international subsidiaries
16 entered employment contracts with employees outside the United States.

17 10. The Defendant, ZAO HEWLETT-PACKARD A.O. ("HP RUSSIA"), was a wholly
18 owned subsidiary of HP Co. operating and incorporated in the Russian Federation. HP RUSSIA
19 employed HP personnel in the Russia region from multiple HP business units, and was principally
20 responsible for transacting business in Russia and CIS. HP RUSSIA had between approximately 315
21 and 550 employees during the relevant time period. HP RUSSIA was subject to HP's internal
22 accounting controls, and HP RUSSIA's financial results were included in the consolidated financial
23 statements that HP Co. filed with the SEC.

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1 11. Between in or about 1999 and October 2004, "HP Russia Executive 1" was the manager
2 for the ESG business unit in Russia, and was based in Moscow, Russia. In addition, between in or about
3 1999 and 2008, HP Russia Executive 1 was the Managing Director and ESG lead for the CIS region. He
4 had an employment contract with HP International Sarl, a Swiss entity, with long-term transfer to HP
5 RUSSIA. HP Russia Executive 1 served as a statutory director of HP RUSSIA between in or about
6 October 2001 and June 2002, and as a statutory director of Hewlett-Packard Europe B.V., a Dutch
7 subsidiary, between in or about November 2005 and November 2006.

9 12. "HP Russia Executive 2" had an employment contract with HP RUSSIA from in or about
10 1997 to 2009 and was based in Moscow, Russia. From in or about 1997 to 2002, HP Russia Executive 2
11 was an account manager within the ESG business unit in Russia. From in or about 2002 to 2003, HP
12 Russia Executive 2 was responsible for government sales for the ESG business unit within Russia, and
13 reported to HP Russia Executive 1. Between in or about 2004 and 2009, HP Russia Executive 2 was
14 ESG Sales Director for the CIS countries, reporting to HP Russia Executive 1 for most of this period.

16 13. "HP Russia Manager 1" had an employment contract with HP RUSSIA from in or about
17 2002 until 2010. HP Russia Manager 1 worked as a Government Account Manager for the ESG
18 business unit in Russia, and was based in Moscow, Russia. HP Russia Manager 1 reported to HP Russia
19 Executive 2 between in or about 2002 and 2003.

21 14. "HP Russia Manager 2" had an employment contract with HP RUSSIA between in or
22 about 1994 and 2012. Between in or about 2000 and 2012, HP Russia Manager 2 worked as the
23 Operations Manager for HP RUSSIA and the CIS region, and was based in Moscow, Russia. Between
24 in or about 2000 and 2004, HP Russia Manager 2 also worked as a Finance Manager for the ESG
25 business unit in the ISE sub-region.

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1 15. "HP Russia Manager 3" had an employment contract with HP RUSSIA between in or
2 about 1998 and 2008. Between in or about 1999 and 2004, HP Russia Manager 3 worked as the
3 manager of the consulting and integration business unit in Russia, and was based in Moscow, Russia.

4 *HP Internal Controls*

5
6 16. At all times relevant to this Information, HP policies prohibited corruption, self-dealing,
7 and other misconduct. HP's Standards of Business Conduct ("SBC") in effect during the relevant period
8 specified company rules and regulations governing legal and ethical practices, preparation of accurate
9 books and records, contracting, and approvals and engagement of third parties. The SBC applied to all
10 HP business divisions and subsidiaries, including HP RUSSIA. HP RUSSIA employees received
11 mandatory SBC training annually, among other training. The SBC was promulgated at HP Co.'s
12 headquarters in the Northern District of California.

13
14 17. The SBC manuals specifically referenced the FCPA, and prohibited, among other things,
15 corrupt payments, "side letters," "off-the-books' arrangements," and "other express or implied
16 agreements outside standard HP contracting processes." The SBC manuals in effect during this period
17 further instructed employees of HP that they were not to "commit [the relevant HP business] to
18 undertake any performance, payment or other obligation unless [the employee was] authorized under the
19 appropriate HP [business] delegation of authority policies," and further required accurate accounting
20 records and proper finance practices.

21
22 18. HP's policies placed restrictions and due diligence requirements on contracts with third
23 parties, including "HP customers, channel partners, suppliers, other business partners or outside parties."
24 They required credit checks and approvals for certain third parties, and required the preparation of
25 "Subcontractor Qualification Worksheets" and "Pre-Bid Risk Identification & Assessment
26 Questionnaires" that related to qualifications and financial capabilities of certain third parties. Among
27

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1 other due diligence requirements, the policies required telephonic interviews of certain third parties
2 regarding experience, references, checks to determine whether the third party had the capacity and
3 geographic coverage for the project, and an overall evaluation of doubts, reservations, and
4 “risks/weaknesses” of the third party.

5
6 19. HP’s Solution Opportunity Approval and Review (“SOAR”) process applied to all
7 service-related projects valued at greater than \$500,000 anywhere in the world, including Russia.
8 Among other things, the SOAR process was designed to provide HP’s senior company management
9 visibility into pricing, discounts, and profit margins for transactions. It required review of relationships
10 with third parties, including scope of work, contract terms, qualifications, and necessity of services.
11 Business, legal, finance, credit, tax, and other units participated in the SOAR review. No services-
12 related transaction greater than \$500,000 could proceed without SOAR approval.

13
14 20. Pursuant to the Sarbanes-Oxley Act of 2002, HP Co. management was required to certify
15 the accuracy of HP Co.’s financial statements and the adequacy of its related internal controls to develop
16 those statements. In supporting these certifications, HP Co. executive management required senior and
17 regional management of HP’s business units to sign sub-certifications certifying that HP’s financial
18 statements were accurate and that their internal controls provided assurances that transactions were
19 properly authorized and recorded, and assets were safeguarded from improper use.

20
21 21. While the SBC prohibited corrupt payments, required due diligence of third-parties, and
22 included other control requirements to maintain accountability for assets, the policies were not adequate
23 to detect and prevent the misconduct described herein, and in practice certain HP business divisions and
24 subsidiaries failed to implement and enforce the policies consistently, and on occasion circumvented or
25 disregarded the policies entirely.

1 *Overview of the Criminal Conduct*

2 A. Introduction

3 22. In or about January 1999, a Russian government agency (“Russian Government Agency
4 1”) commenced work on a project to automate the telecommunications and computing infrastructure of
5 the Office of the Prosecutor General of Russia (the “GPO” or “GP”). By mid-2001, the projected value
6 of the project was more than \$100 million, with the first stage valued at approximately \$35 million.
7 (The first stage of the project was subsequently valued in Euros at €35 million.). The Russian
8 government used a state-owned entity (“Russian Government Agency 2”) organized under the
9 Department of Affairs of the President of the Russian Federation, to manage the GPO project tender and
10 execution.
11

12 23. The GPO project represented an opportunity for HP RUSSIA to become a more
13 significant player in the Russian government sector. According to an internal project memorandum
14 circulated within HP RUSSIA and elsewhere, the project was the “‘golden key’ to open the door of huge
15 business opportunities with other legal authorities.” The memorandum stated that in addition to the
16 GPO project’s potential \$100 million value, the GPO project could lead to \$100 – \$150 million in other
17 business with the Ministry of Justice and the Supreme Court. HP RUSSIA, ESG, and HPS, respectively,
18 were the HP subsidiary and two HP business units principally responsible for the project.
19

20 24. Between in or about 2000 and 2007, HP RUSSIA and co-conspirators agreed to make
21 and did make improper payments to secure, retain, and implement the GPO project. Members of the
22 conspiracy structured the deal to create a secret slush fund, which by 2003 totaled approximately €8
23 million (about \$10 million in U.S. dollars at then-prevailing exchange rates), at least part of which was
24 intended for bribes, kickbacks, and other improper payments. To execute and hide the scheme,
25 members of the conspiracy failed to implement internal controls intended to maintain accountability
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1 over HP's assets, willfully circumvented existing internal controls, and falsified corporate books and
2 records relied on by HP officers and external auditors to authorize the transaction and prepare HP Co.'s
3 consolidated financial statements.

4 **B. Formation and Concealment of Third-Party Relationships**

5 25. From the deal's inception, and with almost no due diligence, HP RUSSIA and co-
6 conspirators agreed to partner with third-party intermediaries having close ties to the Russian
7 government, including: recipients identified in internal financial documents as "[Russian Government
8 Agency 1]" or its "authorized companys"; "Intermediary 1," a company registered in Switzerland but
9 operated by Russian nationals; and "Intermediary 2," a three-employee shell company incorporated in
10 New York in 1997 with its business address at an apartment building in Jersey City, New Jersey. HP
11 RUSSIA contemplated paying these entities several million dollars.
12

13 26. Russian Government Agency 2 declared HP the winner of the first tender in or about
14 January 2001, approximately six weeks after HP signed a teaming agreement with Intermediary 1, and
15 in the midst of negotiating an agreement with Intermediary 2. HP Co., GPO, and Russian Government
16 Agency 2 executed a contract in June 2001. The contract, valued at \$35,294,000, was executed by HP
17 Russia Executive 1 on behalf of HP Co. pursuant to a power-of-attorney signed by HP Co.'s then-
18 general counsel.
19

20 **C. Attempts to Secure U.S. Government-backed Financing**

21 27. To finance the GPO project, Russian Government Agency 2 initially attempted to secure
22 U.S. government-backed financing. To qualify for the financing, rules required that at least 85% of all
23 goods and services provided under the contract have U.S. origin. This posed a large obstacle for the
24 GPO project, as structured, as almost all of the services, and a large percentage of the products, did not
25 have U.S. origin. Members of the conspiracy substituted Intermediary 2, the three-person U.S. shell
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1 company, for Intermediary 1, a Swiss firm, as the principal contractor on the deal. In reality,
2 Intermediary 2 was a pass-through entity incapable of performing this role.

3 28. HP Co. employees in the U.S. conducted due diligence on Intermediary 2 and other
4 aspects of the transaction. In July and September 2001, HP Russia Executive 2 and HP Russia Manager
5 3 met with HP Co. managers and Intermediary 2's principals at HP's offices in Rockville, Maryland.
6 During the meeting, the HP Co. managers asked pointed questions about Intermediary 2's expertise and
7 financial wherewithal, and requested that Intermediary 2 provide financial statements and a detailed
8 scope of work. The Intermediary 2 principals balked, informing the HP Co. managers that HP was
9 lucky to be in the deal, and that Intermediary 2 could redirect the deal to HP's principal competitor. The
10 HP Co. managers told the conspirators that they would not approve the transaction until their questions
11 about Intermediary 2 were answered, which never happened.
12

13
14 D. Switch to German Financing

15 29. In late 2002, the Russian government switched to German government-backed financing
16 for the GPO project. Germany had similar content requirements to qualify for financing guarantees.
17 Russia replaced Russian Government Agency 2 with another foreign trade agency ("Russian
18 Government Agency 3") with experience managing German export projects. "Russian Official A" was
19 a director of Russian Government Agency 3, and assumed responsibility for the GPO project.
20 "Individual A" was an associate of Russian Official A.
21

22 30. The switch in financing and management resulted in the termination of the June 2001
23 GPO project contract, and the Russian government considered re-opening the bidding process. Afraid
24 that they may lose the deal to a German competitor, HP RUSSIA employees and representatives agreed
25 to make corrupt payments to individuals associated with Russian Government Agency 3, including
26 Russian Official A. They also dropped U.S.-based Intermediary 2 as the pass-through entity in favor of
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1 a German one, "Intermediary 3," and caused HP to replace HP Co. as the contracting entity with the
2 German-based HP entity, Hewlett-Packard ISE GmbH.

3 31. Members of the conspiracy structured bribe payments to individuals associated with
4 Russian Government Agency 3 through a €2.836 million, off-the-books contract with Burwell
5 Consulting, Ltd. ("Burwell"), a shell company registered in the United Kingdom associated with
6 Russian Official A and Individual A. Russian Official A, Individual A, and their associates had
7 previously used Burwell and related shell companies, including Bracefield Builders, Ltd. ("Bracefield
8 Builders") and Laurel Commerce Ltd. ("Laurel Commerce"), to conceal and launder corrupt payments
9 from other Western-based companies in similarly large transactions.
10

11 32. An intermediary for Burwell e-mailed a draft of the Burwell contract to HP Russia
12 Executive 2 in March 2003. Titled "letter of obligation," the document required HP to pay Burwell a
13 €2.834 million "commission fee," which was 8% of the contemplated €35,429,000 GPO contract. HP
14 Russia Executive 2 forwarded the e-mail to HP Russia Manager 1, copying HP Russia Executive 1 and
15 another co-conspirator, asking HP Russia Manager 1 to "check the numbers and prepare a letter for [HP
16 Russia Executive 1]'s signature." On or about April 16, 2003, HP Russia Executive 2 e-mailed an
17 executed version of the document to HP Russia Manager 1, copying HP Russia Executive 1, with a
18 revised commission fee of €2.836 million. The contract contained HP Russia Executive 1's signature,
19 on letterhead with the HP logo and the name of the German-based HP entity Compaq Computers BDG,
20 which had been acquired by HP in May 2002. In circumvention of HP internal controls, including third-
21 party due diligence requirements and prohibitions against "side letters, 'off-the-books' arrangements, or
22 other express or implied agreements outside standard HP contracting processes," HP RUSSIA never
23 disclosed the existence of the Burwell agreement to internal or external auditors or management outside
24 of HP RUSSIA, and conducted no due diligence of Burwell.
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1 E. Tracking Slush Fund Recipients

2 33. HP RUSSIA and co-conspirators created millions of dollars in excess margin for use as a
3 slush fund by (1) selling the contract hardware and other products to an often-used channel partner of
4 HP (“Russian Channel Partner”), which in turn sold them to Intermediary 3, and (2) contemporaneously
5 buying the same products back from Intermediary 3 at a nearly €8 million mark-up, and paying
6 Intermediary 3 an additional €4.232 million for purported services. To keep track of the fund, which
7 was concealed in the project’s financials, HP RUSSIA maintained two sets of project pricing records:
8 off-the-books versions, known only to the conspirators, which identified slush fund recipients, and
9 sanitized versions of the same documents which were provided to HP credit, finance, and legal officers
10 outside of HP RUSSIA.

11
12 34. One example of an off-the-books document was an encrypted, password-protected
13 spreadsheet that tracked the GPO deal’s financial inflows and outflows (the “Encrypted Spreadsheet”).
14 The spreadsheet included a column labeled “*Other Costs*,”¹ which listed the following slush fund
15 recipients and amounts:
16

17

<i>[Russian Government Agency 3] People (Burwell Consulting Ltd.)</i>	€2,836,705.88
<i>Approvals</i>	€2,000,000.00
<i>Germanization and Design in Germany</i>	€2,836,705.88
<i>[Intermediary 1], Commission</i>	€280,636

18
19

20 Another column labeled “Services” listed payments to “GIS” for €744,323, “[Russian Government
21 Agency 4]” for €136,202, and “[Russian Government Agency 4] *deficit*” for €93,545. A second page of
22 the same document contained a financial flowchart diagram, which tracked the distribution of the
23 contemplated €35 million in contract proceeds. The flowchart listed the same payments to “[Russian
24 Government Agency 3]” (a later version referred to “Burwell” instead of “[Russian Government Agency
25 3]”), “Approvals,” and the other slush fund recipients. The chart depicted these payments flowing
26

27 ¹ Italicized words are English translations of the Russian language.

1 through the German pass-through Intermediary 3, Russian Channel Partner, or both. In contrast, the on-
2 the-books version of this spreadsheet omitted all references to the slush fund recipients, and eliminated
3 the flowchart page entirely.

4 35. A second document used to track slush fund payments was a financial spreadsheet
5 template called a "Pricing Worksheet," which was designed to identify transaction revenues and costs.
6 The off-the-books version included a page labeled "Passthrough Activity," which listed the same slush
7 fund recipients and amounts as the Encrypted Spreadsheet:
8

9 [Russian Government Agency 3] (8% = \$2,8M)	2,836,705
10 Germany registration and logistics (8% from 35M)	2,836,705
Gosorgony	2,000,000
11 Commission [Intermediary 1]	280,636

12 Notably, the €2,000,000 for "Approvals" in the Encrypted Spreadsheet is described as "Gosorgony" in
13 the Pricing Worksheet. "Gosorgony" is a Russian word that means "state agencies" or "state
14 authorities." Members of the conspiracy sanitized the Pricing Worksheet in August 2003 before
15 providing it to HP approval officers in Europe. A transitional version of the document, created on or
16 about August 20, 2003, includes an explanation of how the slush fund payments should be hidden. The
17 "Passthrough Activity" page highlights the slush fund amounts, along with the notation "to move to
18 HW." The next page of the document, which listed hardware prices, is inflated by €7,954,046—the sum
19 of the highlighted payments (including "[Russian Government Agency 3]" and "Gosorgony" payments).
20 Versions of the Pricing Worksheet provided to management outside of HP RUSSIA omit all references
21 to the slush fund payments, instead inflating hardware prices to create margin for the payments.
22

23 F. Concealment of Slush Fund During SOAR Review

24 36. HP's SOAR process was designed to provide senior company management with visibility
25 into pricing, discounts, and profit margin for transactions greater than \$500,000. In early August 2003,
26 HP management in Europe pressed HP RUSSIA to begin the SOAR process for the GPO contract so
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1 that it could be executed. In circumvention of company policy, however, HP Russia Executive 1 had
2 already executed the €35 million contract with the GPO and Russian Government Agency 3 on or about
3 August 1, 2003. HP Russia Executive 1 signed on behalf of Hewlett-Packard ISE GmbH, with no
4 authorization and no power of attorney, and Russian Official A signed on behalf of Russian Government
5 Agency 3. HP RUSSIA, HP Russia Executive 1, and other members of the conspiracy hid the existence
6 of the signed contract for nearly three months.
7

8 37. The HP credit officer assigned to the SOAR review ("Credit Officer") initially denied
9 credit approval to proceed with the contract, informing HP Russia Manager 1 and other conspirators by
10 e-mail that they had not provided "exact names of all partners (subcontractors) involved," their "roles in
11 the project," "payment terms," or the partners' financial statements. HP Russia Manager 1 replied,
12 purporting to provide the list of all subcontractors. The list included Intermediary 3, but omitted the
13 slush fund entities and concealed that Intermediary 3 was merely a pass-through entity.
14

15 38. Credit Officer also observed that while the HP contracting entity in Germany had
16 contracted to pay Intermediary 3 more than €21 million, €8 million of that total was unaccounted for in
17 the documents provided by HP Russia Manager 1. Credit Officer directly questioned HP Russia
18 Manager 1: "Could you explain to me exactly what we pay for with the remaining 8 million to
19 [Intermediary 3]." In response, HP Russia Manager 1 falsely represented that the €8 million was for
20 services that Intermediary 3 or its subcontractors would perform, such as "organization of work in
21 Germany," "processing," "consolidation of equipment," "dispatch of goods to Russia," and
22 "performance of work to install the equipment," failing to mention that the money was earmarked for
23 "[Russian Government Agency 3] people," "*Gosorgony*" (approvals of state agencies), and other
24 entities. In a separate e-mail, HP Russia Manager 2 attempted to reassure Credit Officer, explaining that
25 HP Russia Executive 1 had personally approved the selection of Intermediary 3 and visited its offices in
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1 Germany and Russia, and observed that Intermediary 3's exclusion could "lead to problems with HP
2 participation in the contract." In reality, Intermediary 3 was a small, undercapitalized computer
3 distributor in Germany and had no ability to perform the work assigned to it under this deal structure.
4 HP RUSSIA was able to use Intermediary 3 in the GPO transaction without meaningful due diligence or
5 other controls over such third-party arrangements.
6

7 39. The SOAR meeting was held on or about November 12, 2003. The day before, HP
8 Russia Manager 2 e-mailed to ISE management in Germany the "final financials," which contained a
9 sanitized version of the Encrypted Spreadsheet (omitting the slush fund payments and flowchart). The
10 SOAR package also included the sanitized version of the Pricing Worksheet, as well as a "third party"
11 analysis document, which purported to identify all third-party participants, but did not mention the slush
12 fund entities. Participants in the SOAR meeting included several of the conspirators from HP RUSSIA,
13 as well as HP ISE executives and HP lawyers.
14

15 40. While SOAR approval was granted subject to final credit approval, Credit Officer
16 requested additional information about Intermediary 3 and the overall scheme. Credit Officer sent e-
17 mails to members of the conspiracy, requesting a chart or graph "clearly illustrating who has subcontract
18 with whom and on which conditions, including contractual and payment relations between [Intermediary
19 3] and [Russian Channel Partner]." In response, conspirators e-mailed a diagram purporting to identify
20 all payments to subcontractors, but that once again omitted any reference to the slush fund payments and
21 recipients. Based on these false representations, Credit Officer granted credit approval, observing in the
22 approval memo that the "subcontractual relations are clearly illustrated in the Scheme attached; i.e. who
23 has subcontract with whom and on which conditions."
24

25 41. Concurrent with these misrepresentations and internal control violations, senior HP
26 management in Europe requested that HP Russia Executive 1, as the ESG Russian country manager and
27

1 CIS general manager, certify to the accuracy of company financial statements and adequacy of internal
2 controls, pursuant to the Sarbanes-Oxley Act of 2002. On or about November 19, 2003, HP Russia
3 Executive 1 falsely certified that “there are no deficiencies in internal controls that would impact ESG’s
4 ability to record, process, summarize and report financial data,” and “I am not aware of any fraud
5 involving employees in ESG’s management or other employees that have a significant role in ESG’s
6 internal controls.” This certification was relied upon by HP’s EMEA businesses to certify to HP’s
7 headquarters in the United States that EMEA’s financial statements were accurate.
8

9 G. Performance of the Contract and Distribution of the Slush Fund

10 42. On the last day of 2003, the HP contracting entity in Europe received the initial payment
11 under the GPO contract. The slush fund was created and amounts disbursed in a manner generally
12 consistent with the off-the-books documents. In total, nearly €21 million of the €35 million contract
13 amount passed through Intermediary 3.
14

15 43. Despite being paid nearly €21 million, Intermediary 3 kept less than €200,000 of this
16 amount, passing on the rest to third parties—mostly bank accounts in the names of shell companies.
17 These shell companies then laundered most of the money through multiple layers of additional shell
18 companies.

19 a. Intermediary 3 wired €311,038 to a Lithuanian bank account in the name of
20 Bracefield Builders, Ltd. As noted, Bracefield Builders, a shell company registered in the United
21 Kingdom, was related to Burwell Consulting, and was directly associated with Russian Official A,
22 Individual A, and other transactions involving Russian Government Agency 3. Russian Official A’s
23 daughter was identified as the “project manager” of Bracefield Builders. The payment was made
24 pursuant to a back-dated contract, valued at €1,001,345, between Intermediary 3 and Bracefield
25 Builders, concerning technical support for the GPO project. 98% of the money was then laundered to a
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1 Lithuanian account of another shell company, Laurel Commerce, which also was associated with
2 Russian Official A, Individual A, and other transactions involving Russian Government Agency 3. No
3 actual services were performed in exchange for these payments.

4 b. Intermediary 3 transferred approximately €2,237,317 to a Latvian account in the
5 name of Jutland Business Corp. ("Jutland"), a shell company registered in Wilmington, Delaware.
6 Jutland was associated with Russian Channel Partner. The payments were ostensibly pursuant to
7 contracts for the purchase of hardware and installation activities in Russia. In fact, however, the account
8 was largely used to purchase expensive jewelry, luxury automobiles, travel, and other items typically
9 associated with gifts. A portion of the funds wired to Jutland were subsequently wired to the Laurel
10 Commerce account in Lithuania associated with Russian Official A, Individual A, and other business
11 involving Russian Government Agency 3.

12 c. Intermediary 3 transferred €9,347,418 to Vosters Group Ltd. ("Vosters"),
13 registered in the British Virgin Islands. Vosters was another shell company associated with Russian
14 Channel Partner, and was the successor entity to Jutland. The payments were ostensibly pursuant to
15 contracts for the purchase of hardware and installation activities in Russia. In fact, Intermediary 3
16 transferred to Vosters approximately €3.4 million more than the contracted amount. Vosters made large
17 payments for travel services, vehicles, tuition, electronic equipment, cotton, textiles, and various other
18 items. A portion of the funds wired to Vosters was subsequently transferred to the Laurel Commerce
19 account in Lithuania. The funds transferred to Laurel Commerce were transferred to an account in the
20 name of yet another shell company, Svanson Group, which had been used to make payments for
21 jewelry, clothing, construction materials, and other items.

22 d. Intermediary 3 transferred €550,100 to a Bosnian account of Kotrax Group SA.
23 ("Kotrax"), a shell company registered in the British Virgin Islands. The payment had no contractual
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1 basis. The Kotrax account had previously been used for travel and other payments (including a
2 €107,943.66 hotel bill) for a company owned by a family member of a senior Russian government
3 official ("Russian Official B"). Other luxury purchases from the account included expensive watches,
4 swimming pool technology, and other items.

5 e. Intermediary 3 paid a series of invoices from two companies, totaling €964,756
6 and €112,905, respectively. The invoices were e-mailed to Intermediary 3 with a subject line of "Urgent
7 payment for special furniture by HP-GP." The invoices were for work under a contract being performed
8 by a company owned by a family member of Russian Official B, completely unrelated to the GPO
9 contract.
10

11 f. Intermediary 3 transferred a total of €2,605,544 to an Austrian account in the
12 name of Verwood Industries Ltd., a shell company registered in the United Kingdom. While the
13 payments were ostensibly for installation services, no actual services were performed in exchange for
14 these payments. Virtually all of the money deposited into this account was then transferred to off-shore
15 bank accounts held by other shell companies. Payments were then made from these accounts for
16 furniture, vehicles, clothing, travel services, household appliances, hotel stays, and other items.
17

18 g. Intermediary 3 transferred a total of €974,147 to a Swiss bank account in the
19 name of Anglestone International LLC, a shell company registered in Cheyenne, Wyoming, with a
20 business address listed as a management company in Obarrio, Panama.
21

22 h. Intermediary 3 transferred a total of €632,077 to a Swiss bank account in the
23 name of Marple Associated SA, a shell company registered in Belize City, Belize. The payments were
24 purportedly for technical support and product documentation.

25 44. Intermediary 3 paid the last amounts from the GPO funds on or about March 1, 2007.
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COUNT I
**(Conspiracy to Violate the Foreign
Corrupt Practices Act – 18 U.S.C. § 371)**

45. Paragraphs 1 through 44 are realleged and incorporated by reference as though fully set forth herein.

46. From at least in or around at least December 2000, and continuing through in or around at least March 2007, in the Northern District of California and elsewhere, the defendant, HP RUSSIA, did willfully, that is, with the intent to further the objects of the conspiracy, and knowingly conspire, confederate, and agree with others, known and unknown, to commit an offense against the United States, that is:

a. while in the territory of the United States, to make use of the mails and means and instrumentalities of interstate commerce and to do any other act corruptly in furtherance of an offer, payment, promise to pay, and authorization of the payment of any money, offer, gift, promise to give, and authorization of the giving of anything of value, to a foreign official, and to a person, while knowing that all or a portion of such money and thing of value would be and had been offered, given, and promised to a foreign official, for purposes of: (i) influencing acts and decisions of such foreign official in his or her official capacity; (ii) inducing such foreign official to do and omit to do acts in violation of the lawful duty of such official; (iii) securing an improper advantage; and (iv) inducing such foreign official to use his or her influence with a foreign government and agencies and instrumentalities thereof to affect and influence acts and decisions of such government and agencies and instrumentalities, in order to assist HP RUSSIA and others in obtaining and retaining business for and with, and directing business to, HP RUSSIA and others, in violation of Title 15, United States Code, Section 78dd-3;

b. to knowingly falsify and cause to be falsified books, records, and accounts required to, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets

1 of HP Co., an issuer within the meaning of the FCPA, in violation of Title 15, United States Code,
2 Sections 78m(b)(2)(A), 78m(b)(5), and 78ff(a); and

3 c. to knowingly circumvent and fail to implement a system of internal accounting
4 controls designed to provide reasonable assurances that: (i) transactions were executed in accordance
5 with management's general and specific authorization; (ii) transactions were recorded as necessary (I) to
6 permit preparation of financial statements in conformity with generally accepted accounting principles
7 and any other criteria applicable to such statements, and (II) to maintain accountability for assets; (iii)
8 access to assets was permitted only in accordance with management's general and specific
9 authorization; and (iv) the recorded accountability for assets was compared with the existing assets at
10 reasonable intervals and appropriate action was taken with respect to any difference, in violation of Title
11 15, United States Code, Sections 78m(b)(2)(B), 78m(b)(5), and 78ff(a).
12

13
14 PURPOSE OF THE CONSPIRACY

15 47. The purpose of the conspiracy was to obtain and retain business with Russian state-
16 owned entities, including Russian Government Agency 2, Russian Government Agency 3, the GPO, and
17 others, by making payments and giving other things of value to foreign officials employed by such
18 customers and to other persons associated with such foreign officials; concealing and disguising the
19 payments by falsifying HP RUSSIA's and HP Co.'s books and records; and evading and failing to
20 implement internal controls meant to detect and deter such payments.
21

22 MANNER AND MEANS OF THE CONSPIRACY

23 48. The manner and means by which HP RUSSIA and its co-conspirators sought to
24 accomplish the purpose of the conspiracy included, among others, the following:

25 a. It was part of the conspiracy that HP RUSSIA, through its executives and
26 employees, together with others, made or caused to be made more than €8 million in improperly
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1 b. In or about May 2001, HP RUSSIA caused another HP entity to execute a
2 contract with Intermediary 2.

3 c. In or about July and September 2001, HP Russia Executive 2, HP Russia
4 Manager 3, and two Intermediary 2 principals met in Rockville, Maryland with HP Co. personnel to
5 discuss the GPO project.

6 d. In or about April 2003, a member of the conspiracy sent an e-mail to HP
7 RUSSIA, which was routed through the United States, containing a draft agreement between HP and
8 Burwell Consulting, Ltd.

9 e. On or about November 19, 2003, HP Russia Executive 1 certified in HP
10 RUSSIA's Sarbanes-Oxley reporting to HP Co., the contents of which was transmitted to HP Co.'s
11 offices in Palo Alto, California as part of HP EMEA's certification, that "there are no deficiencies in
12 internal controls that would impact ESG's ability to record, process, summarize and report financial
13 data," and "I am not aware of any fraud involving employees in ESG's management or other employees
14 that have a significant role in ESG's internal controls."
15

16 f. Between on or about July 19, 2004, and November 6, 2004, Intermediary 3 made
17 six wire transfers totaling approximately €2,237,091 to the Latvian bank account of Jutland Business
18 Corp. On or about September 6, 2004, Jutland transferred €243,684 to the off-shore account of Laurel
19 Commerce Ltd.
20

21 g. On or about March 17, 2005, Intermediary 3 wired €311,038 to a Lithuanian
22 bank account in the name of Bracefield Builders, Ltd.
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24 h. Between on or about August 3, 2006, and February 26, 2007, Intermediary 3
25 wired a total of €964,756 and €112,905, respectively, to two companies for work under a contract that
26 was unrelated to the GPO contract.
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1 All in violation of Title 18, United States Code, Section 371.

2 **COUNT II**
3 **(FCPA – Anti-Bribery – 15 U.S.C. § 78dd-3)**

4 50. Paragraphs 1 through 44 are realleged and incorporated by reference as though fully set
5 forth herein.

6 51. From in or around 2001 through in or around 2007, in the Northern District of California
7 and elsewhere, the defendant, HP RUSSIA, a “person” within the meaning of the Foreign Corrupt
8 Practices Act, while in the territory of the United States and elsewhere, knowingly did use and cause to
9 be used the means and instrumentalities of interstate commerce and did any other act corruptly in
10 furtherance of an offer, payment, promise to pay and authorization of the payment of any money, and
11 offer, gift, promise to give, and authorization of the giving of anything of value to any foreign official,
12 and any person, while knowing that all or a portion of such money and thing of value would be offered,
13 given, and promised, directly and indirectly, to any foreign officials for purposes of: (i) influencing the
14 acts and decisions of such foreign officials in their official capacities; (ii) inducing such foreign officials
15 to do and omit to do acts in violation of their lawful duties; (iii) securing an improper advantage; and
16 (iv) inducing such foreign officials to use their influence with a foreign government and
17 instrumentalities thereof to affect and influence acts and decisions of such government and
18 instrumentalities, in order to assist HP RUSSIA in obtaining and retaining business for and with, and
19 directing business to, itself and its parent, HP Co..

20 All in violation of Title 15, United States Code, Sections 78dd-3, and Title 18, United States
21 Code, Section 2.

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COUNT III
(FCPA – Internal Controls –

15 U.S.C. §§ 78m(b)(2)(B), 78m(b)(5), and 78ff(a), and 18 U.S.C. § 2)

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3 52. Paragraphs 1 through 44 are realleged and incorporated by reference as though fully set
4 forth herein.

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6 53. From on or about December 2000 to in or about at least March 2007, in the Northern
7 District of California and elsewhere, the defendant, HP RUSSIA, knowingly and willfully failed to
8 implement and circumvented a system of internal accounting controls designed to provide reasonable
9 assurances that: (i) transactions were executed in accordance with management's general and specific
10 authorization; (ii) transactions were recorded as necessary (I) to permit preparation of financial
11 statements in conformity with generally accepted accounting principles and any other criteria applicable
12 to such statements, and (II) to maintain accountability for assets; (iii) access to assets was permitted only
13 in accordance with management's general and specific authorization; and (iv) the recorded
14 accountability for assets was compared with the existing assets at reasonable intervals and appropriate
15 action was taken with respect to any differences, to wit: HP RUSSIA knowingly: (a) avoided controls
16 over third-party vendors and off-the-books contracts; (b) created and used certain mechanisms for
17 making and concealing payments to third parties; and (c) secretly executed certain contracts without
18 proper authority.
19

20 All in violation of Title 15, United States Code, Sections 78m(b)(2)(B), 78m(b)(5), and 78ff(a),
21 and Title 18, United States Code, Section 2.
22

COUNT IV
(FCPA – Books and Records –

15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(5), and 78ff(a), and 18 U.S.C. § 2)

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25 54. Paragraphs 1 through 44 are realleged and incorporated by reference as though fully set
26 forth herein.
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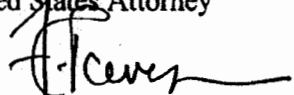
1 55. From on or about December 2000 to in or about at least March 2007, in the Northern
2 District of California and elsewhere, HP RUSSIA knowingly and willfully falsified and caused to be
3 falsified books, records, and accounts required to, in reasonable detail, accurately and fairly reflect the
4 transactions and dispositions of assets of HP Co., to wit: HP RUSSIA (a) caused execution of off-the-
5 books agreements with third parties as a way to conceal corrupt payments; (b) entered into a sham buy-
6 back agreement with Intermediary 3 to accumulate a multi-million dollar slush fund used to make
7 corrupt payments through off-shore shell companies; (c) used Intermediary 3 to enter into purported
8 business arrangements with third parties that, in fact, were shams; (d) directed Intermediary 3 to make
9 payments to consultants and vendors based on false invoices; and (d) mischaracterized corrupt payments
10 in the corporate books and records as consulting fees, commissions, costs of goods and services, and
11 other seemingly legitimate expenses.
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13 All in violation of Title 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5), and 78ff(a),
14 and Title 18, United States Code, Section 2.
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17 DATED: April 9, 2014

Respectfully submitted,

18 MELINDA HAAG
19 United States Attorney

20 
21 Adam A. Reeves
Assistant United States Attorney

22 Jeffrey H. Knox
23 Chief, Fraud Section, Criminal Division

24 
25 Ryan Bohlfsen
26 Jason Linder
Trial Attorneys, Fraud Section, Criminal Division

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