UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10221 / September 27, 2016

SECURITIES EXCHANGE ACT OF 1934
Release No. 78944 / September 27, 2016

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3806 / September 27, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17582

In the Matter of **WEATHERFORD INTERNATIONAL PLC, F/K/A WEATHERFORD INTERNATIONAL LTD., JAMES HUDGINS, CPA, AND DARRYL KITAY, CPA**, **Respondents.**	**ORDER INSTITUTING PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTIONS 4C AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, AND RULE 102(e) OF THE COMMISSION'S RULES OF PRACTICE, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER ("ORDER")**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") and Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Weatherford International plc, formerly known as Weatherford International Ltd. ("Weatherford"), James Hudgins, CPA ("Hudgins"), and Darryl Kitay, CPA ("Kitay") (collectively "Respondents"); and that public administrative proceedings be, and hereby are, instituted pursuant to Section 4C of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice against Hudgins and Kitay.

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the "Offers") that the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order, as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds[1] that:

SUMMARY

1. Between 2007 and 2012, Weatherford, a large multinational provider of oil and natural gas equipment and services, issued false financial statements that inflated its earnings by over $900 million in violation of U.S. Generally Accepted Accounting Principles ("GAAP"). Weatherford issued materially false and misleading statements about its net income, earnings per share ("EPS"), effective tax rate ("ETR"), and other key financial information. Weatherford did not have sufficient internal accounting controls to identify and properly account for its accounting of income taxes throughout the relevant period.

2. As a result, Weatherford was forced to restate its financial statements on three separate occasions over eighteen months. The first restatement was made public on March 1, 2011 when Weatherford announced that it would restate its financial results for 2007-2010 and that a material weakness existed in its internal control over financial reporting ("ICFR") for the accounting of income taxes. That restatement, filed on March 8, 2011, reduced previously reported net income by approximately $500 million (the "First Restatement"). $461 million of the First Restatement resulted from a four-year income tax accounting fraud orchestrated by James Hudgins, the Vice President of Tax and later an officer of Weatherford, and Darryl Kitay, the tax manager and later senior tax manager who reported to Hudgins. Hudgins and Kitay made numerous post-closing adjustments or "plugs" to fill gaps to meet ETRs that Weatherford previously disclosed to analysts and the public. This deceptive intercompany tax accounting improperly inflated Weatherford's earnings and materially understated its ETR and tax expense.

3. The fraud created the misperception that the tax structure Weatherford designed to reduce its tax expense and ETR was far more successful than it actually was. From 2007 to 2010, Weatherford regularly touted its favorable ETR to analysts and investors as one of its key competitive advantages, which it attributed to a superior international tax avoidance structure that Hudgins constructed at the urging of senior management. The purportedly lower ETR rates Weatherford reported throughout this period proved illusory, as the First Restatement made

1 The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

clear. After announcing the First Restatement, Weatherford's stock price declined nearly 11% in one trading day ($2.38 per share), closing at $21.14 per share on March 2, 2011. The decline eliminated over $1.7 billion from Weatherford's market capitalization.

4. Weatherford announced additional restatements in February 2012 and July 2012 (the "Second Restatement" and "Third Restatement," respectively). After the First Restatement, Weatherford attempted to remediate its material weakness in internal control over income tax accounting. Throughout its remediation efforts in 2011, Weatherford filed its Forms 10-Q on a timely basis and falsely reassured investors that it was performing additional reconciliations and post-closing procedures to ensure that its financial statements were fairly presented in conformity with GAAP. However, Weatherford, through Hudgins and Kitay, failed to review, assess and quantify known income tax accounting issues that had a high risk of causing additional material misstatement as early as July 2011. When Weatherford filed its Second Restatement on March 15, 2012, Weatherford reported a $256 million drop in net income from 2007-2011 as a result of additional errors in its income tax accounting and its material weakness in internal control over income tax accounting remained. At least $84 million of that drop in net income resulted from an income tax accounting GAAP violation Respondents knew about, but failed to assess and quantify, before Weatherford filed its third quarter financial statements.

5. Four months after filing the Second Restatement, Weatherford announced that it was withdrawing reliance on all previous financial statements because it had discovered additional income tax errors that reduced prior period net income by $107 million. By the time Weatherford issued its Third Restatement on December 17, 2012, Weatherford had reduced net income from prior periods by an additional $186 million, largely driven by books and records and internal accounting controls issues identified and corrected during Weatherford's remediation efforts in 2012.

6. As a result of the fraudulent income tax accounting, Weatherford accrued millions in improper benefits by using artificially inflated common stock to acquire numerous companies. Weatherford also raised over $5 billion from nine bond offerings during the relevant period. Hudgins used the artificially low ETRs and perceived successful tax avoidance strategies as, in part, a basis to justify becoming a long-desired officer of Weatherford in 2009, and to secure a large bonus in 2010.

7. As a result of the conduct described herein, Weatherford violated the antifraud provisions of Exchange Act Section 10(b) and Rule 10b-5 thereunder, and Securities Act Section 17(a), the reporting provisions of Exchange Act Section 13(a) and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder, the books and records provisions of Exchange Act Section 13(b)(2)(A), and the internal accounting control provisions of Section 13(b)(2)(B).

8. As a result of the conduct described herein, Hudgins and Kitay violated the antifraud provisions of Securities Exchange Act Sections 10(b) and Rule 10b-5 thereunder, and Securities Act Section 17(a) and caused Weatherford to violate Securities Act Section 17(a) and Exchange Act Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder. Hudgins and Kitay also violated Exchange Act Section 13(b)(5)

and Exchange Act Rule 13b2-1 promulgated thereunder, and Hudgins violated Exchange Act Rule 13b2-2. In addition, both individuals violated the federal securities laws or rules and regulations thereunder pursuant to Section 4C of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

RESPONDENTS

9. **Weatherford International plc f/k/a Weatherford International Ltd.** is a multinational Irish public limited company based in Switzerland, with U.S. offices in Houston, Texas. Weatherford's shares are registered with the Commission pursuant to Exchange Act Section 12(b) and are listed on the NYSE under the symbol "WFT." Weatherford files periodic reports, including Forms 10-K and 10-Q, with the Commission pursuant to Exchange Act Section 13(a) and related rules thereunder.

10. In November 2013, the Commission charged Weatherford with: (a) violating the Foreign Corrupt Practices Act by authorizing bribes and improper travel and entertainment for foreign officials in the Middle East and Africa to win business; (b) falsifying its books and records to conceal these illicit payments and illegal transactions with countries subject to U.S. sanctions; and (c) failing to establish an effective system of internal accounting controls. Weatherford agreed to pay $252.6 million to settle the Commission's charges and related actions by four other agencies. As part of that settlement, Weatherford agreed to retain an independent compliance monitor for 18 months and to self-report to the SEC for an additional 18 months.

11. **James M. Hudgins**, age 62, resides in Texas. He served as Weatherford's Director of Tax from January 1999 until mid-2000, when he became Vice President of Tax, and as an Officer from February 2009 until his resignation on March 31, 2012. Hudgins was licensed as a CPA by the State of Texas from 1988 until 2012.

12. **Darryl S. Kitay**, age 56, resides in Texas. He served as Weatherford's Tax Manager and Senior Manager from April 2004 until 2011, then as Weatherford's Tax Director through January 2013. Kitay reported to Hudgins from April 2004 until March 2012. Kitay was licensed as a CPA by the State of Texas in 1992 and expired in 2004. Weatherford relieved Kitay of all supervisory responsibilities associated with Weatherford's income tax accounting in May 2012, after the filing of the Second Restatement. Weatherford terminated Kitay's employment in July 2013.

RELEVANT ENTITY

13. **Ernst & Young LLP** ("Ernst & Young") is a professional services limited liability partnership, headquartered in New York City, with offices located throughout the United States. It is a member firm of Ernst & Young Global Limited and provides auditing, consulting, and tax services to a variety of companies, including companies whose securities are registered with the Commission and trade in the U.S. markets. Ernst & Young was Weatherford's external auditor from 2001 to March 2013. On March 7, 2013, Weatherford's audit committee decided not to re-appoint Ernst & Young.

FACTS

Background

14. From its inception through merger of two predecessor companies in 1998, Weatherford employed an aggressive strategy to become a top-tier multinational provider of oil and natural gas equipment and services. One part of that strategy was based on exponential revenue growth fueled by hundreds of acquisitions designed to expand Weatherford's multinational footprint. During the decade before the First Restatement, Weatherford's revenue increased from $1.8 billion to $10.2 billion. Emails among Weatherford's senior management reflected that Weatherford took pride in being an entrepreneurial high-growth organization that placed a premium on more growth and better earnings. This growth came, often, at the expense of ensuring good governance and compliance. During the relevant period, Weatherford failed to ensure that its internal controls over income tax accounting kept up with its growth.

15. Another key component of that strategy was to develop a superior international tax avoidance structure that reduced Weatherford's ETR and tax expense (and increased EPS and cash flow) while providing a competitive advantage over U.S.-based peer companies. In 2002, Weatherford changed its place of incorporation from the U.S. to Bermuda, a 0% tax jurisdiction, through a process known as inversion.[2]

16. Weatherford further refined its international tax structure from 2003 through 2006 by implementing a series of hybrid instruments to facilitate the movement of revenue from higher tax rate jurisdictions (*i.e.*, Canada and United States) to lower tax rate jurisdictions (*i.e.*, Hungary and Luxembourg). Hybrid instruments are often used in international tax planning to achieve deductions in one, typically high tax rate, jurisdiction and shift income to another, typically low tax rate, jurisdiction. Hybrid instruments are structured to incorporate features of both debt and equity, such that the instrument typically qualifies as debt in one jurisdiction and equity in another. Payments on debt may be deducted in computing taxable income while the yields are accrued but not necessarily paid, and, therefore, not calculated as taxable income.

17. Taken together, these tax avoidance strategies were designed largely to reduce Weatherford's tax expense and ETR, while increasing EPS and cash flow. As a result, these international tax avoidance strategies reduced Weatherford's ETR from 36.3% in 2001 to 25.9% by the end of 2006.

18. As the then-Vice President of Tax, Hudgins was the architect of Weatherford's tax structure, tax planning, and was responsible for executing tax strategies designed to reduce Weatherford's ETR and tax expense. Hudgins was also responsible for ensuring that

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[2] In 2009, Weatherford took steps to preserve the tax avoidance structure it created by changing its place of incorporation from Bermuda to Switzerland through a series of share exchange transactions commonly referred to as redomestication. In 2014, Weatherford changed its place of incorporation from Switzerland to Ireland when, through merger agreement, Weatherford International plc, an Ireland-based public limited company, became the new public holding company/parent of Weatherford's group of companies.

Weatherford's consolidated income tax accounts were properly maintained and that the consolidated tax provisions, underlying expenses, and related financial disclosures were accurately and fairly presented in all material respects in accordance with GAAP. Kitay, who reported to Hudgins, was responsible for preparing and reviewing Weatherford's consolidated income tax accounts and underlying expenses that were reported in Weatherford's financial statements.

19. From 2002 through October 2006, Hudgins reported to a Chief Financial Officer ("CFO") who was a CPA with significant accounting experience. In October 2006, after the departure of that CFO, the Vice President of Finance was appointed CFO. The new CFO was trained as an attorney and had considerable mergers and acquisition experience. However, the new CFO was not a CPA and had limited accounting knowledge and experience.

20. To compensate for the CFO's limited accounting knowledge and experience, Weatherford created the new position of Chief Accounting Officer ("CAO") to supervise and take responsibility of Weatherford's accounting. Under this new arrangement, Weatherford's tax department was considered more like a "finance" function focused on tax strategy and planning, not tax accounting. Thus, beginning in October 2006, Hudgins and Weatherford's tax department no longer reported directly to Weatherford's accounting department or to senior management with sufficient knowledge or experience to assess whether Weatherford's income tax accounting was being fairly and accurately presented in accordance with GAAP. As a result, the tax department had virtually no accounting oversight.

21. Achieving and sustaining a lower ETR was very important to Weatherford's profitability strategy during the relevant period. Weatherford senior management and Hudgins understood that Weatherford's tax structure and resulting ETR added significant value and was material to analysts and investors alike. Wall Street analysts closely followed Weatherford's ETR and its effect on earnings. Each percentage point in Weatherford's ETR translated into $0.02 to $0.03 in EPS. Weatherford's senior management knew its tax department was perpetually understaffed and overworked during the years leading up to the First Restatement. Hudgins led a tax staff that was roughly the same size as when he was hired, Hudgins pressed his employees to work long hours to make Weatherford's tax structure extremely competitive. Weatherford and Hudgins quickly gained a reputation with the company's external auditor as a challenging and demanding client known for taking aggressive accounting positions, particularly in the area of income tax accounting.

22. Although Weatherford reduced its ETR by nearly 10% from 2001 to the end of 2006, its CFO remarked that Weatherford's ETR remained somewhat above that of other inverted peer companies in his response to an analyst's question during the year end earnings call on January 30, 2007. Soon thereafter, Weatherford started reporting ETR results that created a false perception that its international tax structure was outperforming similarly-situated competitors by a significant margin. For example, in 2008 and 2009, fueled by its deceptive income tax accounting practices, Weatherford reported pre-restatement ETRs of 17.1% and 6.5%.

$461 Million Tax Accounting Fraud Leads to First Restatement

23. In connection with fiscal years 2007 through 2010, Hudgins and Kitay engaged in fraudulent practices relating to income tax accounting that violated GAAP and made Weatherford's financial statements materially false and misleading. During each of those years, Weatherford repeatedly and publicly disclosed ETR estimates and recorded tax expense that Hudgins and Kitay knew, or were reckless in not knowing, were fabricated. Each year, Hudgins and Kitay made or authorized unsupported post-closing adjustments to accounting data that intentionally lowered Weatherford's actual ETR and tax expense. To do so, they reversed accounting data that had been correctly input into Weatherford's consolidated tax provision from the company's accounting system, and did not notify Weatherford's accounting department why they had made such adjustments. They performed no work to support the adjustments, which were merely a "plug" to arrive at the lower estimated ETR and tax expense amounts. Without disclosing how they arrived at their numbers, Hudgins and Kitay provided these amounts for inclusion in Weatherford's consolidated financial statements, which senior management shared with analysts and investors repeatedly during earnings calls and public financial statements. This conduct went undetected for over four fiscal years.

24. Throughout 2007-2010, Hudgins and Kitay made these manual post-closing adjustments within a line item on the consolidated tax provision labeled intercompany "dividend exclusion."[3] These dividend exclusion adjustments, which ranged from $286 million to $439 million per year, involved different Weatherford entities within Weatherford's corporate elimination account, which was known as the "Eliminations region." These adjustments were then tax effected at 35%, which falsely lowered Weatherford's year-end provision for income taxes by $100 million to $154 million each year. These dividend exclusion adjustments also overstated net income, understated ETR and tax expense, and ultimately created a $461 million phantom income tax receivable.

25. These adjustments were made to allow Weatherford's reported ETR and earnings results to better align with analysts' expectations and Weatherford's previously-announced projected results. Hudgins and Kitay did not tell anyone outside of Weatherford's tax department the true reason they made these adjustments. Kitay identified the existence of the adjustments to Ernst & Young each year, but, when questioned about them, Kitay made misleading and inconsistent responses to the auditors and failed to disclose the true reason for the adjustments. Kitay sometimes asked Hudgins to review his responses before providing them to Ernst & Young.

26. The errors were finally discovered in February 2011. By that time, the phantom income tax receivable had increased to such dramatically disproportionate heights, over $460 million, that it defied even the unsupported explanations of Hudgins and Kitay. Shortly thereafter, Weatherford released the First Restatement in March 2011.

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[3] Dividend exclusion represents the amount of intercompany dividends that a corporation must exclude from its taxable income.

First Restatement - Dividend Exclusion Plug Adjustments

Fiscal Year 2007

27. In December 2006, Weatherford, through Hudgins, initially forecasted an ETR of 29% for fiscal year 2007. However, emails among senior management reflected that the company was under pressure to meet Wall Street expectations and to offset shortfalls in its quarterly earnings targets by lowering its ETR. By the time Weatherford announced its second quarter earnings results on July 23, 2007, the company informed analysts that ETR would "run between of 20 and 21% on average for the entire year." Weatherford reported similar ETR results in its financial statements and earnings releases for the third quarter of 2007, creating the perception that its tax avoidance strategies were finally beginning to outperform those of its competitors and yield long-term value to investors.

28. Throughout the first three quarters of 2007, Weatherford recorded ETR and tax expense pursuant to FIN 18, "*Accounting for Income Taxes in Interim Periods.*" FIN 18 prescribes an estimated annualized ETR approach for computing the tax provisions for the first three quarters of the year, which is based on a company's best estimate of current year ordinary income. GAAP, however, does not allow companies to use FIN 18 to calculate their year-end tax provisions.

29. To comply with GAAP, Weatherford was required to record ETR and tax expense at year end pursuant to FAS 109, "*Accounting for Income Taxes*."[4] FAS 109 establishes standards on how companies should account for and report the effects of income taxes, including the calculation of the year-end consolidated tax provision. The tax data for every Weatherford entity was compiled in the field and in Houston. Tax department personnel in Houston under Hudgins and Kitay's supervision reviewed that information, after which the tax provisions for legal entities were finalized and then combined on a region-by-region basis. The region-based tax provisions were then consolidated to arrive at a single tax provision from which current and deferred assets and liabilities, associated tax expense (or benefit), and ETR were calculated and recorded.

30. Shortly before Weatherford was scheduled to release its year-end financial results for 2007, however, Hudgins and Kitay discovered the year-end ETR and tax expense that had been calculated pursuant to FAS 109 far exceeded the ETR estimates and tax expense disseminated publicly to analysts and investors during the first three quarters of 2007 based on their ETR estimates. Faced with what they considered to be an immovable deadline for reporting earnings, Hudgins and Kitay falsified the year-end consolidated tax provision by making an unsubstantiated manual $439.7 million post-closing "plug" adjustment to two different Weatherford Luxembourg entities within Weatherford's Eliminations region. To do so, they intentionally reversed accounting data that had been correctly input to Weatherford's consolidated tax provision via the company's accounting system.

[4] Effective for interim and annual periods ending after September 15, 2009, FASB codified authoritative accounting literature in the Accounting Standards Codification. As such, FIN 18 and FAS 109 were superseded by ASC Topic 740. The substantive provisions of the codified guidance are consistent with the superseded standards.

31. The resulting plug adjustment, which Hudgins and Kitay then improperly applied a 35% tax rate to, allowed Weatherford to reduce its tax expense by $153.9 million for the year and to lower its ETR in line with previous ETR estimates publicly disclosed during quarterly calls with analysts.

32. Hudgins and Kitay took no steps to determine the necessity and accuracy of the plug adjustment, either before or after it was made. They performed no work at any time to determine whether plugging the gap was appropriate under GAAP and made no attempt to substantiate the difference between the their publicly disclosed ETR estimates and tax expenses with the FAS 109 actual results that they were witnessing. Both Hudgins and Kitay knew, or were reckless in not knowing, that they should have reviewed and substantiated the actual tax numbers after the close process, but they never did. Hudgins and Kitay made no attempt to alert Weatherford's accounting department, internal auditor, or senior management of the significant issues related to its FAS 109 actual ETR results. Nor did they notify the company's external auditor of any discrepancy. And Weatherford, for its part, never questioned or reviewed the methods Hudgins and Kitay used to move Weatherford's ETR downward from 29% to 20% over the span of one year.

33. The 20% ETR Weatherford announced to analysts and investors during its year-end conference call allowed Weatherford to ultimately meet Wall Street's earnings expectations. In an internal email expressing disappointment with operational results, Weatherford's CEO stated:

> In spite of our ability to meet Wall Street's 2007 earnings expectations, the reality is that our operations delivered $130 million less than the EBIT target set. . . . a lower than expected tax rate (20% vs. 29%) allow[ed] us to make our Wall Street numbers for the year.

34. During 2007 and throughout the relevant period, Hudgins signed representation letters relied upon by Weatherford senior management and Ernst & Young indicating, without exception, that the internal controls over financial reporting for the accounting of income taxes were effective and that the income tax accounting was completed in accordance with GAAP. These statements were false.

Fiscal Year 2008

35. In 2008, Weatherford initially forecasted ETR at 22-23% for the year. During the second and third quarters of 2008, however, Weatherford touted lower ETR estimates of 17-18% in quarterly filings and calls with analysts. Those estimates were based on interim tax provisions prepared and reviewed by Hudgins and Kitay. In its pre-restatement Form 10-K for the period ending December 31, 2008, Weatherford reported an ETR of 17.1% for the year.

36. In 2008, Weatherford implemented a new automated software program, modified to Weatherford's needs and specifications, to prepare its year-end tax provisions, replacing Microsoft Excel spreadsheets. The tax software was a significant upgrade because it automatically populated – or "mapped" – financial accounting data into Weatherford's tax provisions. For example, the tax software was designed to ensure that all intercompany dividend

income and related dividend exclusion amounts would be automatically "mapped" and eliminated in consolidation without attributing any tax benefit to Weatherford. Manual intervention of the mapping process required an override of the system.

37. Weatherford's tax personnel from the field collected and input detailed tax-specific information into the tax software near and at year-end. After Weatherford filed its Form 10-Q for the period ending September 30, 2008, Weatherford prepared a "pretend" hard close of Weatherford's tax accounts and tax provisions based on tax information collected from the field using recently filed third quarter numbers. The purpose of the pretend hard close was to ensure that Weatherford's tax accounting controls were in place for the end of the year." Essentially, the pretend hard close was a "dry run" of all the steps Weatherford would later perform to finalize its consolidated tax provision at year-end. Accordingly, the pretend hard close process would provide information regarding the effectiveness of Weatherford's ICFR for the accounting of income taxes, but the results themselves would not be incorporated into Weatherford's financial statements.

38. In December 2008, as part of the pretend hard close process, Kitay ran the tax software to calculate Weatherford's consolidated tax provision on at least two occasions using data from Weatherford's third quarter. Kitay noticed, and informed Hudgins, that Weatherford's actual ETR closely aligned with its originally forecasted ETR of 22-23% and not the lower quarterly 17-18% ETR estimates and tax expense reported in quarterly financial statements and conference calls with analysts. Despite the fact that Hudgins and Kitay had advance notice that there was another gap, during the process that was supposed to permit time to fix control issues and errors before year end, neither Hudgins nor Kitay made any effort to address or analyze the sizeable gap or inform others outside of the tax department of the gap that was occurring in the second consecutive year. Instead, during a pretend hard close process that was explicitly designed to identify and correct potential tax accounting errors before year-end, Hudgins and Kitay directed others to manually override the tax software to generate results aligned with previously disclosed ETRs and tax expense.

39. In January 2009, in preparation for year-end closing, Kitay again ran the tax software to calculate Weatherford's tax provision for year-end 2008. As a result, Hudgins and Kitay discovered the year-end actual ETR and tax expense they calculated pursuant to FAS 109 far exceeded the ETR estimates and tax expense the company had disseminated publicly to analysts and investors during the first three quarters of 2008. Faced with yet another opportunity to disclose and analyze the large gap between the actual ETR they calculated pursuant to FAS 109 and the lower ETR estimates they reported earlier in the year, Hudgins and Kitay opted to perpetuate the fraud. Specifically, Hudgins and Kitay again "plugged the gap" and falsified the year-end consolidated tax provision by making an unsubstantiated manual post-closing adjustment of $303.7 million. The improper adjustment was made to different Luxembourg entities within Weatherford's Eliminations region than those used in 2007. The 2008 plug adjustment, which was improperly tax effected at 35%, allowed Weatherford to reduce its tax expense by $106.3 million and lower its ETR in line with previous estimates publicly disclosed during quarterly calls with analysts. Although Ernst & Young repeatedly questioned this adjustment during its year-end audit and proposed reclassifying the adjustment to a Bermuda

entity within the Eliminations region, neither Hudgins nor Kitay informed Ernst & Young of the true reason for the adjustment.

40. Neither Hudgins nor Kitay notified anyone outside of the tax department that they overrode the tax software program to finalize the ETR and resulting tax expense for fiscal year 2008. Nor did they disclose any concerns that errors existed within Weatherford's corporate accounting that could compromise the actual ETR results and the integrity of the newly installed, multi-million dollar tax accounting program. In fact, the only review Hudgins performed in 2008 was to ask Kitay if the adjustment "was the same treatment as last year." Further, Weatherford senior management did not ask Hudgins how the ETR had moved from 22% to the final disclosed rate of 17.1%, which beat analysts' expectations once again.

41. During 2008, Hudgins actively lobbied for officer status and the higher compensation it brought. Hudgins justified becoming an officer, in part, by pointing to the ETR he was able to obtain for Weatherford. For example, in November 2008, Hudgins allegedly sent an email to Weatherford's CEO, which included the following:

> "I'm very upset that I'm not an officer yet. I achieved a 17% rate this year, and all of you treat me like sh[**]."

Weatherford promoted Hudgins to officer shortly after Weatherford released earnings for fiscal year 2008, which reflected a pre-restatement ETR of 17.1%.

<u>Fiscal Years 2009-2010</u>

42. In 2009 and 2010, Weatherford continued to report ETR estimates and tax expense in quarterly financial statements and conference calls with analysts that conflicted with the significantly higher actual ETR results Hudgins and Kitay were calculating at year end under FAS 109. During both the pretend hard close process and at year-end for these years, Hudgins and Kitay once again observed large gaps between the actual ETR and year-end tax expense they calculated using the tax software and the lower estimated ETR and resulting tax expenses that they reported to analysts and investors. Hudgins and Kitay never disclosed these large gaps to anyone at Weatherford outside the tax department.

43. Faced with four additional opportunities to disclose and analyze these gaps during the pretend hard close and year-end process in 2009 and 2010, Hudgins and Kitay chose each time to make unsupported adjustments to Weatherford's consolidated tax provision that artificially lowered the company's ETR. They made unsubstantiated manual post-closing plug adjustments of $290.4 million and $286.6 million during year end 2009 and 2010, respectively, by overriding accounting data that had been automatically and correctly input into Weatherford's consolidated tax provision. These plug adjustments, which were made in 2009 and 2010 using a Bermuda entity within Weatherford's Eliminations region, improperly lowered Weatherford's tax expense by $101.6 million and $100.3 million during 2009, and 2010, respectively.

44. Each year, Hudgins and Kitay used different entities that masked the post-closing adjustments that plugged gaps to allow Weatherford to lower its ETR and appear to have a successful and competitive tax structure. For three of the four fiscal years, the dividend exclusion plug adjustments involved different entities within Weatherford's Eliminations region.

For example, the dividend exclusion plug adjustments made within Weatherford's Eliminations region in 2009 and 2010 involved the same Bermuda entity, but the plug adjustments made in 2007 and 2008 were associated with three different Luxembourg entities. Hudgins and Kitay aggravated the magnitude of the fraud by inappropriately tax-effecting these adjustments by attributing a 35% tax rate to calculate the "tax benefit" purportedly associated with either 0%-tax-rate (Bermuda) or low-single-tax-rate (Luxembourg) jurisdictions, as follows:

Unsupported Manual Entries - Fiscal Year 2007	
WFT Luxembourg SARL	$195,430,220
WFT Financing (Luxembourg) SARL	$244,298,216
Total Unsupported Adjustment	$439,728,436
Tax Rate Improperly Applied	35%
2007 Plugged Tax Benefit	**$153,904,953**

Unsupported Manual Entries - Fiscal Year 2008	
WFT Luxembourg SARL	$195,429,960
WFT Investment (Luxembourg) SARL	$108,245,404
Total Unsupported Adjustment	$303,675,364
Tax Rate Improperly Applied	35%
2008 Plugged Tax Benefit	**$106,286,377**

Unsupported Manual Entries - Fiscal Year 2009	
Total Unsupported Adj. - WFT Bermuda Ltd.	$290,407,796
Tax Rate Improperly Applied	35%
2009 Plugged Tax Benefit	**$101,642,729**

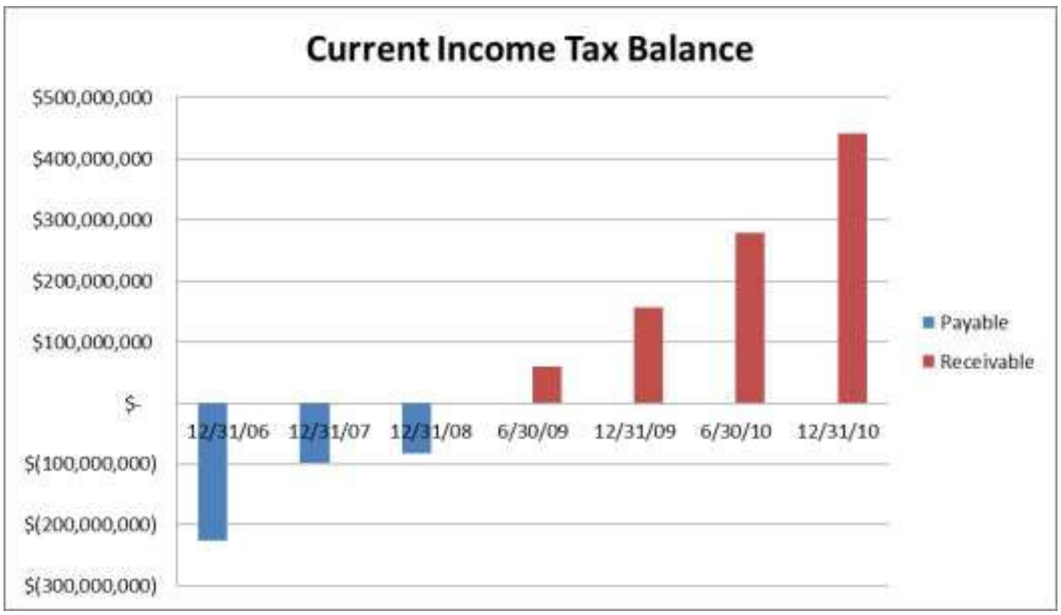
Unsupported Manual Entries - Fiscal Year 2010	
Total Unsupported Adj. - WFT Bermuda Ltd.	$286,632,936
Tax Rate Improperly Applied	35%
2010 Plugged Tax Benefit	**$100,321,528**

<u>First Restatement - Phantom Income Tax Receivable</u>

45. The inappropriate plug adjustments and the resulting improper tax benefits recorded from 2007 through 2010 created a $461 million debit balance to Weatherford's current income tax payable, which Respondents reclassified as an income tax receivable for reporting purposes. "Current income tax payable" is a balance sheet liability account with a credit balance comprised of taxes to be paid within a year. While income tax receivables with debit balances may arise for short periods, such as when a company is due a tax refund, the multi-year large

debit balance Weatherford experienced should have raised red flags long before the First Restatement.

46. Weatherford's $461 million receivable balance was not the product of an abnormally large anticipated refund, the prospect for which Respondents had no reasonable expectation. Instead, this phantom income tax receivable occurred because the current income tax payable accounts annually recorded from the consolidated tax provision were understated by the amount of each year's fraudulent tax benefit. Essentially, the consolidated tax provision and the resulting balance sheet understatement did not reflect the tax amounts Weatherford actually paid to various jurisdictions. Over time, this disparity created a huge debit balance anomaly within Weatherford's current income tax payable account that was as high as $155 million in 2009, grew to $279 million at June 30, 2010, and to $441 million at December 31, 2010. The effect of the phantom income tax receivable is shown below:[5]



47. Hudgins and Kitay knew, or were reckless in not knowing, that the dividend exclusion plug adjustments were causing the corresponding phantom income tax receivable. Kitay reviewed the balance sheet tax accounts by region on at least an annual basis, and by early 2009, was aware of the rising income tax debit balance.

48. Hudgins and Kitay made misleading statements about the true reasons for the growing tax debit balance, claiming falsely that they had made either sizeable prepayments or overpayments to foreign tax jurisdictions that they would be working to recover. For example, during the fourth quarter of 2009, Weatherford reclassified the large debit balance within the Current Income Tax Payable account to a Prepaid Other account. In response to Ernst & Young inquiries about the large "Prepaid Other" debit balance, Kitay responded "we do not believe it would be appropriate to classify these balances as receivables until such time as a claim for

5 The year-end 2010 current income tax balance of $441,553,629 included the $461 million phantom receivable and a $20 million credit balance to "U.S. Income Tax Payable."

refund has been filed." By 2010, Hudgins was aware of the phantom receivable and told others at Weatherford that he was working to recover all overpaid amounts, although he knew there were no such overpaid amounts.

49. Hudgins and Kitay knew that Weatherford was not entitled to, nor had any expectation of, receiving tax refunds for the receivable amount. Neither they nor Weatherford corporate accounting personnel responsible for monitoring the balance sheet made any attempt to reconcile Weatherford's rising income tax receivable balance at any time before February 2011.

First Restatement – Discovery of Material Weakness and Material Misstatement

50. While performing its audit of Weatherford's 2010 pretend hard close consolidated tax provision, Ernst & Young uncovered certain income tax accounting errors that increased Weatherford's overall tax liability for fiscal year 2010, including a spreadsheet computational error related to a Slovakia-based subsidiary that increased Weatherford's tax expense and tax liability by $13.4 million. Hudgins knew the impact these errors would have on Weatherford's ETR and tax expense targets. Hudgins instructed the tax department to work around the clock to hunt for additional credits to reduce the tax liability and offset the unexpected Slovakia tax charge.

51. On January 20, 2011, Hudgins informed an Ernst & Young tax partner that he found "Pepto Bismol" to offset the unexpected Slovakia tax charge. On January 21, 2011, Kitay sent Ernst & Young an email with a list of newly recorded offsetting tax benefits, which Ernst & Young understood to be Hudgins' "Pepto Bismol." Among the items, most of which were later determined to be unsupportable, the list included a tax benefit for $14.4 million in Russia intercompany expenses (*i.e.*, management fees, royalties, interest, mark-up and service fees). At the time Hudgins informed Ernst & Young that he recorded the Russian tax benefit, he did not have the appropriate signed documentation in place to take the tax benefit. Emails exchanged between Hudgins and Kitay during this period make clear that Hudgins knew a portion ($8.2 million) of Russian intercompany expenses were not deductible. Ultimately, Ernst & Young determined that Weatherford did not have appropriate supporting documentation to record the tax benefit associated with the Russian intercompany expenses and rejected Hudgins' representations to the contrary.

52. In performing its audit of Weatherford's 2010 pretend hard close, Ernst & Young and Weatherford identified a number of additional income tax accounting errors that increased Weatherford's tax expense by tens of millions of dollars, including: (1) failure to timely accrue foreign flat taxes; (2) uncertain tax position accruals that were not reflected in Weatherford's consolidated tax provisions; (3) entries to prematurely reverse liabilities related to uncertain tax positions (some of which were improperly classified as current taxes payable); and (4) understatements of income tax expense related to deferred tax liability.

53. On or about February 15, 2011, after consideration of the errors and issues discovered and after consultation with Ernst & Young, Weatherford's internal audit group concluded that there was a material weakness in internal control surrounding accounting for income taxes due to: inadequate staffing and technical expertise; ineffective review and approval

practices; inadequate processes to effectively reconcile income tax accounts; and inadequate controls over the preparation of Weatherford's quarterly tax provision.

54. After the identification of the material weakness, Ernst & Young expanded the audit procedures for all income tax accounts, including a reconciliation of Weatherford's current taxes payable (and receivable) accounts. On or about February 20, 2011 a review of Weatherford's income tax receivable balance uncovered the phantom $461 million receivable in the Eliminations Region account, which, in turn, led to the First Restatement. At no time prior to this process, did Hudgins or Kitay inform anyone of the true reason they made the post-closing adjustments.

55. On March 1, 2011, Weatherford filed a Form 8-K with the Commission, in which it made public for the first time that it would be restating its financial results for 2007-2010 and that a material weakness existed in its ICFR for the accounting of income taxes. Weatherford's stock price dropped nearly 11% to $21.14 on the news.

56. On March 8, 2011, Weatherford filed its First Restatement, in which it restated its previously reported financial results for the years ended December 31, 2007, 2008 and 2009, and the first three quarters of 2010. According to Weatherford, the First Restatement was necessary to correct "errors in [the Company's] accounting for income taxes." The First Restatement reduced Weatherford's previously reported net income by $500 million, $461 million of which related to the dividend exclusion plug adjustment, which the First Restatement called "an error in determining the tax consequences of intercompany amounts over multiple years." The following table depicts the impact the Restatement had on Weatherford's reported net income for the periods covered by the First Restatement:

Year Ended	Reported Net Income (in millions)	Restated Net Income (in millions)	% Change
2007	$ 1,070.6	$ 940.6	13.8%
2008	$ 1,393.2	$ 1,246.5	11.3%
2009	$ 253.8	$ 170.1	42.6%
Q1 - Q3 2010	$ 78.3	$ (21.6)	462.0%

Second and Third Restatements

57. Immediately after filing its First Restatement, Weatherford initiated a large-scale effort led by Hudgins to remediate its material weakness in ICFR for its accounting of income taxes. Thus, Weatherford put Hudgins in charge of the tax accounting remediation process and permitted Kitay to be an active participant. Throughout 2011, Weatherford continued to timely report earnings and file its financial statements. In doing so, Weatherford provided repeated assurances to the public that it performed "additional reconciliations and other post-closing procedures" to ensure its financial statements were true, accurate, and in compliance with GAAP. Hudgins, for his part, executed signed representation letters to Weatherford's then-CFO

and Ernst & Young that falsely claimed his belief that Weatherford's consolidated tax provisions and underlying expenses were "fairly presented in all material respects in accordance with GAAP" and that he was neither aware of any material transactions that had not been properly recorded in the consolidated income tax accounts nor any deviations from GAAP that would cause material misstatements in Weatherford's financial statements.

58. Before the end of the second quarter in 2011, Weatherford identified dozens of issues related to its internal control for the accounting of income taxes that required thorough review and remediation. Weatherford and Hudgins, however, performed little, if any, testing to determine whether, and to what extent, these failures could cause additional material misstatements in Weatherford's financial statements. Instead, Weatherford, through Hudgins, developed a time line for remediation that, in relevant part, pushed out until the fourth quarter of 2011 the review, assessment, and quantification of major issues that had a high risk of causing material misstatement in previously filed Weatherford financial statements dating back to 2007, if not earlier. For example, prior to 2012, Weatherford accounted for withholding taxes on certain intercompany transactions (*i.e.*, interest, management fees, royalties, and rent) on a cash basis. This is contrary to GAAP, which requires accrual basis accounting treatment. Weatherford, through Hudgins, did not hide the cash basis accounting treatment from Ernst & Young before the First Restatement, but claimed, without support, that the difference in treatment was immaterial to Weatherford's financials. They were wrong. The Second Restatement included an $84 million reduction to Weatherford's previously reported net income to correct for Weatherford's failure to accrue for these withholding taxes prior to 2012.

59. The failure to consider accrual basis accounting treatment for these withholding taxes reflected a breakdown of internal controls for accounting of income taxes, particularly in a company like Weatherford that was experiencing long-term exponential growth on a multi-national scale. Before Weatherford filed its Form 10-Q for the period ending September 30, 2011, Weatherford and Hudgins, knew, or were reckless in not knowing, that their failure to accrue for withholding taxes on intercompany transactions (*i.e.*, interest, management fees, royalties, and rent) was a deviation from GAAP that would cause Weatherford's financial statements to be materially misstated. By July 2011, and perhaps sooner, Weatherford and Hudgins recognized that the failure to accrue for withholding taxes on intercompany transactions was erroneous. They also knew Weatherford was conducting training worldwide to remediate the behavior. Despite this knowledge, they made no effort to quantify the difference between cash and accrual accounting before Weatherford issued its Form 10-Q for the quarter ended September 30, 2011. Instead, they scheduled that work to be performed during the fourth quarter of 2011.

60. On February 21, 2012, Weatherford announced it had not remediated its material weakness in its internal controls for accounting of income taxes and had identified additional errors which required a second restatement, which it filed on March 15, 2012 (the "Second Restatement"). Weatherford's stock price dropped nearly 14% from $17.79 to $15.36 on the February 21, 2012 news of the Second Restatement, resulting in a market capitalization loss of over $1.8 billion. The Second Restatement restated Weatherford financial results from 2007 through 2011, reducing net income by an additional $256 million as a result of additional errors in Weatherford's income tax accounting, $84 million of which was driven by the failure to

accrue for intercompany withholding taxes. The remaining errors represented the culmination of a year-long, then-still incomplete, remediation effort led by Hudgins that revealed a complete breakdown of internal accounting controls and a wholesale failure to make and keep books and records that accurately and fairly reflected Weatherford's tax transactions. The effort revealed hundreds of erroneous income tax accounting entries covering multiple tax topics, including: (i) uncertain tax positions; (ii) deferred tax assets and liabilities; and (iii) valuation allowances. On March 23, 2012, Weatherford announced the voluntary resignation of Hudgins and its CFO. After the filing of the Second Restatement, Weatherford relieved Kitay of all supervisory responsibilities associated with Weatherford's income tax accounting.

61. Four months later, on July 24, 2012, Weatherford announced that it would restate certain prior years' financial statements, including $92 million in prior period tax expenses and further adjustments of up to $15 million. The Third Restatement was caused, in part, by a material tax accounting error that a Weatherford employee initially identified in an email dated March 8, 2012, shortly before the filing of Weatherford's Second Restatement.[6] The email, however, went unanswered for over a month. As a result, Weatherford failed to establish a timely reserve for this liability, which resulted from Weatherford's improper allocation of regional costs among its Latin American entities for tax purposes. Weatherford later claimed this error "fell through the cracks" and was the result of an internal control failure that allowed the issue to remain unaddressed until after the Second Restatement was filed, and shortly after Weatherford issued $1.3 billion in Senior Notes on April 4, 2012. Weatherford's stock dropped another 8.8% from $12.80 to $11.67 as a result of the July 24, 2012 announcement.

62. On July 24, 2012, after restating and re-restating its financial statements from 2007 forward, Weatherford again announced that it was withdrawing reliance on previously-filed financial statements and that it would stop issuing financial statements until it had completed additional procedures and reviews of its accounting for income taxes. Pursuant to the July 24, 2012 announcement, Weatherford conducted reconciliations of tax-basis balance sheets for each legal entity that was part of its consolidated financial statements. Upon conclusion of this exercise, Weatherford issued the Third Restatement on December 17, 2012 in a Form 10-K/A for the fiscal year ending on December 31, 2011. The Third Restatement reduced net income by an additional $186 million, largely driven by Weatherford's then-continuing effort to remediate its material weakness over its internal controls for accounting of income taxes. On February 25, 2014, Weatherford reported that it had successfully remediated its material weakness in internal controls for accounting of income taxes when it filed its Form 10-K for the year ended December 31, 2013.

VIOLATIONS

63. Securities Act Section 17(a)(1), Exchange Act Section 10(b) and Rule 10b-5 thereunder prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

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6 Weatherford's July 24, 2012 filing also included a material weakness finding related to a long-term construction contract accounted for erroneously under the percentage-of-completion method of accounting. This material weakness was reported as remediated as of December 31, 2012 when Weatherford issued its Form 10-K on March 4, 2013.

64. Securities Act Section 17(a)(2) prohibits any person from obtaining money or property in the offer or sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

65. Securities Act Section 17(a)(3) prohibits any person from engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser in the offer or sale of securities.

66. Exchange Act Section 13(a) and Rules 13a-1, 13a-11 and 13a-13 thereunder require that every issuer of a security registered pursuant to Exchange Act Section 12 file with the Commission, among other things, annual, quarterly and other reports as the Commission may require.

67. Rule 12b-20 under the Exchange Act requires that, in addition to the information expressly required to be included in a statement or report filed with the Commission, there shall be added such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made not misleading.

68. Exchange Act Section 13(b)(2)(A) requires reporting companies to make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets.

69. Exchange Act Section 13(b)(2)(B) requires all reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP.

70. Exchange Act Section 13(b)(5) prohibits any person from knowingly circumventing or knowingly failing to implement a system of internal accounting controls or knowingly falsifying any book, record, or account described in Section 13(b)(2).

71. Rule 13b2-1 under the Exchange Act prohibits any person from directly or indirectly, falsifying or causing to be falsified, any book, record, or account subject to Exchange Act Section 13(b)(2)(A). Rule 13b2-2(a) under the Exchange Act provides that no director or officer of an issuer shall, in connection with financial-statement audits, reviews, or examinations or the preparation or filing of any document or report required to be filed with the Commission, directly or indirectly: (1) make or cause to be made a materially false or misleading statement to an accountant; or (2) omit to state, or cause another person to omit to state, any material fact necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading, to an accountant.

Findings

72. As a result of the conduct described above, Weatherford violated Securities Act Section 17(a) and Exchange Act Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

73. As a result of the conduct described above, Hudgins: (i) willfully violated Securities Act Section 17(a), Exchange Act Sections 10(b) and 13(b)(5) and Rules 10b-5(a) and (c), 13b2-1 and 13b2-2 promulgated thereunder; (ii) caused Weatherford's violations of Securities Act Section 17(a), Exchange Act Sections 10(b), 13(a), 13(b)(2)(A) and (B) and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 promulgated thereunder; and (iii) willfully violated the federal securities laws or rules and regulations thereunder pursuant to Section 4C of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

74. As a result of the conduct described above, Kitay: (i) willfully violated Securities Act Section 17(a), Exchange Act Sections 10(b) and 13(b)(5) and Rules 10b-5(a) and (c), 13b2-1 promulgated thereunder; (ii) caused Weatherford's violations of Securities Act Section 17(a), Exchange Act Sections 10(b), 13(a), 13(b)(2)(A) and (B) and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 promulgated thereunder; and (iii) willfully violated the federal securities laws or rules and regulations thereunder pursuant to Section 4C of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

COOPERATION AND REMEDIAL ACTIONS

In determining to accept Weatherford's Offer, the Commission considered remedial acts undertaken by Weatherford and cooperation it afforded the Commission staff. Weatherford retained outside counsel to conduct an investigation after the First and Second Restatements and its Audit Committee retained separate outside counsel to conduct an independent investigation pursuant to Section 10A of the Exchange Act. The results of those investigations were shared with Commission staff. Over a period of several years, Weatherford expended significant resources to remediate the material weakness in its internal controls for accounting of income taxes. Weatherford employed third-party consultants to develop enhanced controls to overhaul its tax accounting process and accounting functions. It created several new positions within its tax department to prevent the recurrence of similar income tax accounting issues. Weatherford replaced Hudgins and its CFO with more experienced accounting professionals and modified its reporting lines to ensure appropriate review of the consolidated tax provision and all accounting for income taxes.

UNDERTAKINGS

Weatherford shall comply with the following undertakings:

1. Report to the Commission staff during a two-year term, as set forth herein, Weatherford's compliance with Commission regulations and GAAP regarding its accounting for income taxes, financial reporting, and the status of any remediation,

implementation, auditing and testing of its internal accounting controls and compliance measures. During this two-year period, should Weatherford discover credible evidence, not already reported to the Commission staff, that significant deficiencies in the design or operation of its accounting for income taxes exist, Weatherford shall report such significant deficiencies to the Commission staff and state that it cannot certify compliance. During this two-year period, Weatherford shall: (1) conduct an initial review and submit an initial report, and (2) conduct and prepare follow-up reviews and reports, as described below:

a. Weatherford shall submit to the Commission staff a written report within 150 calendar days of the entry of this Order setting forth a complete description of its internal accounting controls, policies, and procedures over its accounting for income taxes, including the consolidated tax provision, quarterly tax provision, elimination accounting, effective tax rate, financial reporting of income taxes, and internal audit of the tax and accounting departments (the "Initial Report"). The Initial Report should also include Weatherford's remediation efforts to date, including a description of the controls, policies, and procedures in place, and any proposals to make improvements, that are reasonably designed to improve the internal accounting controls, policies and procedures of Weatherford for ensuring compliance with Commission regulations and GAAP, and the parameters of the subsequent reviews. The Initial Report shall be transmitted to Tracy Price, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5631. Weatherford may extend the time period for issuance of the Initial Report with prior written approval of the Commission staff.

b. Weatherford shall undertake at least two follow-up reviews, for fiscal years 2016 and 2017, incorporating any comments provided by the Commission staff on the previous report, to further test, monitor and assess whether its internal accounting controls, policies and procedures over its accounting for income taxes are reasonably designed to: (1) provide reasonable assurance of compliance with Commission regulations and GAAP; and (2) detect and prevent material weaknesses or significant deficiencies in the design or operation of its accounting for income taxes. Weatherford shall submit to the Commission staff follow-up reports summarizing the 2016 and 2017 reviews (the "Follow-up Reports").

   i. The first Follow-up Report shall be completed by no later than 180 days after the Initial Report. The second Follow-up Report shall be completed by no later than 380 days after the completion of the Initial Report. Weatherford may extend the time period for issuance of the Follow-up Reports with prior written approval of the Commission staff.

   ii. The Initial and Follow-up Reports submitted by Weatherford will likely include proprietary, financial, confidential, and competitive business information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations and thus undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (a) pursuant to court order, (b) as agreed by the parties in writing, (c) to the extent that the Commission staff determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (d) is otherwise required by law.

c. Certify, in writing, compliance with the undertaking(s) set forth above. The certification shall identify the undertaking(s) provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Weatherford agrees to provide such evidence. The certification and supporting materials shall be submitted to Tracy Price, Assistant Director, Division of Enforcement, with a copy to the Office of the Chief Counsel of the Enforcement Division, no later than 30 days from the date of the completion of the undertakings.

d. Within two-years of the entry of this Order, should Weatherford discover credible evidence, not already reported to the Commission staff, that its internal control over financial reporting in areas unrelated to accounting for income taxes is not free from material weakness, Weatherford shall provide a detailed report of any material weakness to the Commission staff.

2. Weatherford shall preserve and retain all documentation regarding all certifications and reports for seven (7) years and will make it available to the Commission staff upon request.

3. In determining whether to accept Weatherford's Offer, the Commission has considered these undertakings. Weatherford agrees that if the Division of Enforcement believes that Weatherford has not satisfied these undertakings, it may petition the Commission to reopen the matter to determine whether additional sanctions are appropriate. For good cause shown, the Commission staff may in its sole discretion extend any of the procedural dates relating to the undertakings.

4. Weatherford (including its officers, directors, and employees, and third-party consultants within Weatherford's control) shall cooperate fully with the Commission with respect to this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party and subject to compliance with applicable law. Weatherford agrees that such cooperation shall include, but is not limited to:

a. <u>Production of Information</u>: at the Commission's request, upon reasonable notice, and without subpoena, Weatherford (including its officers, directors, and employees, and third-party consultants within Weatherford's control) shall truthfully and completely disclose all information requested by the Commission staff in connection with the Commission's investigation, litigation or other related proceedings, except with respect to information related to clients other than Weatherford, which information shall be produced in response to subpoena or other appropriate legal process;

b. Production of Documents: at the Commission's request, upon reasonable notice, and without subpoena, Weatherford (including its officers, directors, and employees, and third-party consultants within Weatherford's control) shall provide any document, record or other tangible evidence requested by the Commission staff in connection with the Commission's investigation, litigation or other related proceedings, except with respect to documents related to clients other than Weatherford, which information shall be produced in response to subpoena or other appropriate legal process; and

c. Production of Cooperative Personnel: at the Commission's request, upon reasonable notice, and without subpoena, Weatherford (including its officers, directors, and employees, and third-party consultants within Weatherford's control) shall secure the attendance and truthful statements, deposition, or testimony of any Weatherford officer, director, or employee or third-party consultant within Weatherford's control, excluding any person who is a party to any related litigated judicial or administrative proceeding, at any meeting, interview, testimony, deposition, trial, or other legal proceeding.

The foregoing obligations are subject to Weatherford's reservation of rights:

(i) to claim that documents or information requested is subject to attorney-client privilege or attorney-work-product protection; and
(ii) to seek entry of a confidentiality order as to: sensitive business documents or information; sensitive personnel documents or information; or confidential information pertaining to clients other than Weatherford.

d. Service and Personal Jurisdiction Consents: Weatherford further agrees that, with respect to this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, it will: (i) accept service by email, mail or facsimile transmission of notices, requests, or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by the Commission staff ("Commission Service"); (ii) appoint Weatherford's undersigned attorney as agent to receive Commission Service; (iii) with respect to Commission Service, waive the territorial limits upon service contained in Rule 45 for the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Weatherford's travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (iv) consent to personal jurisdiction over Weatherford in any United States District Court for purposes of enforcing any Commission Service.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 4C and 21C of the Exchange Act, and Rule 102(e) of the Commission's Rules of Practice, it is hereby ORDERED, effective immediately, that**:**

A. Weatherford cease and desist from committing or causing any violations and any future violations of Securities Act Section 17(a), Exchange Act Sections 10(b), 13(a), 13(b)(2)(A) and13(b)(2) (B), and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 promulgated thereunder.

B. Hudgins cease and desist from committing or causing any violations and any future violations of Securities Act Section 17(a), Exchange Act Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5), and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 13b2-1, and 13b2-2 promulgated thereunder.

C. Hudgins is denied the privilege of appearing and practicing before the Commission as an accountant.

D. Hudgins be, and hereby is, prohibited for five (5) years from the date of this Order from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act and is required to file reports pursuant to Section 15(d) of the Exchange Act.

E. After five (5) years from the date of this Order, Hudgins may request that the Commission consider his reinstatement by submitting an application (Attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Hudgins' work in his practice before the Commission will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. an independent accountant. Such an application must satisfy the Commission that: (a) Hudgins, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective; (b) Hudgins, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not

identify any criticisms of or potential defects in Hudgins', or the firm's quality control system that would indicate that Hudgins will not receive appropriate supervision; (c) Hudgins has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and (d) Hudgins acknowledges his responsibility, as long as Hudgins appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards

F. The Commission will consider an application by Hudgins to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Hudgins' character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

G. Kitay cease and desist from committing or causing any violations and any future violations of Securities Act Section 17(a), Exchange Act Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5), and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, and 13b2-1 promulgated thereunder.

H. Kitay is denied the privilege of appearing and practicing before the Commission as an accountant.

I. After five (5) years from the date of this Order, Kitay may request that the Commission consider his reinstatement by submitting an application (Attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Kitay's work in his practice before the Commission will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. an independent accountant. Such an application must satisfy the Commission that: (a) Kitay, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective; (b) Kitay, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify

any criticisms of or potential defects in Kitay's, or the firm's quality control system that would indicate that Kitay will not receive appropriate supervision; (c) Kitay has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and (d) Kitay acknowledges his responsibility, as long as Kitay appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards

J. The Commission will consider an application by Kitay to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Kitay's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

K. Weatherford shall pay a civil money penalty in the amount of $140,000,000 to the Securities and Exchange Commission. Payment and post-Order interest pursuant to SEC Rule of Practice 600 shall be made in the following installments: one installment of $50,000,000 million due within twenty-one (21) days of the date of the entry of this Order, and then three installments of $30,000,000 due within 120, 240, and 360 days of the entry of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 or 31 U.S.C. Section 3717, shall be due and payable immediately, without further application.

L. Hudgins shall, within twenty-one (21) days of the entry of this Order, pay disgorgement of $169,728, prejudgment interest of $39,339, and a civil money penalty in the amount of $125,000, for a total of $334,067 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 or 31 U.S.C. Section 3717.

M. Kitay shall pay a civil money penalty in the amount of $30,000 to the Securities and Exchange Commission. Payment and post-Order interest pursuant to SEC Rule of Practice 600 shall be made in the following installments: one installment of $10,000 due within twenty-one (21) days of the date of the entry of this Order; one installment of $10,000 due within 180 days of the date of the entry of this Order; and one installment of $10,000 due within 360 days of the date of the entry of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 or 31 U.S.C. Section 3717, shall be due and payable immediately, without further application.

N. Payment must be made in one of the following ways:

(1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at http://www/sec.gov/about/offices/ofm.htm; or

(3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

O. Payments by check or money order must be accompanied by a cover letter identifying Weatherford International plc, James Hudgins, or Darryl Kitay as a Respondent in these proceedings, and the file number of these proceedings. A copy of the cover letter and check or money order must be simultaneously sent to Tracy L. Price, Esq., Assistant Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5631.

P. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the disgorgement, prejudgment interest AND civil money penalties referenced in Paragraphs K, L, and M above. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Weatherford, Hudgins, and Kitay agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Weatherford's, Hudgins', and Kitay's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Weatherford, Hudgins, and Kitay agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Weatherford, Hudgins, and/or Kitay by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

Q. Respondents Hudgins and Kitay stipulate solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S. C. §523, that the findings in the Order are true and admitted by Respondents Hudgins and Kitay, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents Hudgins and Kitay under the Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents Hudgins and Kitay of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

R. Respondent Weatherford shall comply with the undertakings enumerated in Section III. above.

By the Commission.

Brent J Fields
Secretary