

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

_____)
U.S. SECURITIES AND EXCHANGE)
COMMISSION,)
100 F. Street, NE)
Washington, D.C. 20549)

Plaintiff,

v.

Paul W. Jennings

Defendant.

_____)

Case: 1:11-cv-00144
Assigned To : Collyer, Rosemary M.
Assign. Date : 1/24/2011
Description: General Civil

COMPLAINT

Plaintiff, U.S. Securities and Exchange Commission (the "Commission"), alleges:

SUMMARY

1. This action arises from widespread bribery of foreign officials by Innospec, Inc., some of which occurred and was approved by Paul W. Jennings ("Jennings") beginning in mid to late 2004 during his tenure as Chief Financial Officer ("CFO") and continuing after he became Chief Executive Officer ("CEO") in 2005. From 2000 to 2008, Innospec, Inc., a manufacturer and distributor of fuel additives and other specialty chemicals, routinely paid bribes to government officials in order to sell TEL, a fuel additive, which boosts the octane value of gasoline, to government owned refineries and oil companies in Iraq and Indonesia. TEL is a sunset product because worldwide use of TEL has declined since 1973 following the enactment of the U.S. Clean Air Act of 1970 and similar legislation in other countries. Innospec engaged in bribery to

maintain its TEL business, which accounted for significant revenue during the relevant time period.

2. Innospec's known bribery activities in Iraq began with its participation in the United Nations ("UN") Oil for Food Program in 2001, and extended all the way until at least 2008. Innospec also paid bribes to government officials in Indonesia beginning as early as 2000, and continued until 2005, when Indonesia's need for TEL ended. Innospec's internal controls failed to detect the illicit conduct, which continued for nearly a decade. Beginning in mid to late 2004, Jennings, who held various senior roles at Innospec, including CFO and CEO, actively participated in the bribery schemes in Iraq and Indonesia.

3. In all, between 2000 and 2008, Innospec made illicit payments of approximately \$6,347,588 and promised an additional \$2,870,377 in illicit payments to Iraqi ministries and government officials as well as Indonesian government officials in exchange for contracts worth approximately \$176,717,341 in revenues and profits of \$60,071,613.

4. Jennings violated Section 30A of the Securities Exchange Act of 1934 ("Exchange Act") by engaging in widespread bribery of government officials in Iraq during the post-Oil for Food period in order to sell TEL to the Iraqi Ministry of Oil ("MoO") and by engaging in bribery of Indonesian officials to sell TEL to state owned oil companies in Indonesia. Jennings aided and abetted Innospec's violations of Section 30A by substantially assisting in Innospec's bribery of Iraqi and Indonesian government officials.

5. Innospec, a U.S. issuer, made use of U.S. mails and interstate commerce to carry out the scheme, and Jennings, a dual U.S. and U.K. national was complicit in the scheme. Jennings both sent and received e-mails to and from the United States to carryout the scheme. He also used interstate commerce and the mails as part of the scheme. Jennings obtained \$116,092 in bonuses that were tied to the success of the TEL sales, which were procured through bribery.

6. Jennings also violated Section 13(b)(5) of the Exchange Act and Rule 13b2-1 thereunder by falsifying documents as part of the bribery scheme. Jennings also violated Exchange Act Rule 13b2-2 by making false statements to accountants and violated Exchange Act Rule 13a-14 by signing false personal certifications required by the Sarbanes-Oxley Act of 2002 that were attached to annual and quarterly Innospec public filings.

7. Jennings also aided and abetted Innospec's violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act by substantially assisting in Innospec's failure to maintain internal controls to detect and prevent bribery of officials in Iraq and Indonesia, and the improper recording of the illicit payments in Innospec's books and records.

JURISDICTION

8. This Court has jurisdiction over this action under Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa]. Innospec, Jennings, and others directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

9. Venue is appropriate in this Court under Section 27 of the Exchange Act [15 U.S.C. § 78aa] or 28 U.S.C. § 1391(d).

DEFENDANT

10. **Paul W. Jennings**, a dual citizen of the United Kingdom and the United States (as of December 2002), joined Innospec in November 2002. From November 2002 to 2005, Jennings was the Chief Financial Officer of Innospec. Jennings became head of the TEL unit in April 2004 and held the position through 2006. He was also the interim CEO of Innospec beginning in April 2005 and in June 2005 he became the permanent CEO and President of Innospec. Jennings resigned from Innospec on March 20, 2009.

RELEVANT ENTITIES/ INDIVIDUALS

11. **Innospec Inc.**, previously known as Octel Corporation, is a Delaware corporation with its principal executive offices in the United States and Ellesmere Port, United Kingdom. Innospec manufactures, distributes and markets fuel and specialty chemicals to oil refineries and other chemical and industrial companies throughout the world. Its operations are divided into three distinct business areas: Fuel Specialties, Active Chemicals and Octane Additives. As part of its Octane Additives business Innospec manufactures and sells Tetra Ethyl Lead (“TEL”), a product that is used to boost the octane value of leaded gasoline and certain types of jet fuel. Innospec’s common stock is registered with the Commission under Section 12(b) of the Exchange Act and since March 21, 2006, it has traded on the NASDAQ under the symbol “IOSP.” Prior to March 21, 2006, Innospec’s securities traded on the New York Stock Exchange.

The company changed its name from Octel Corporation to Innospec, Inc. on January 30, 2006.

12. On March 18, 2010, the Commission filed a settled enforcement action against Innospec, whereby Innospec consented to a final judgment permanently enjoining it from violations of Sections 30A, 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act; agreed to pay \$60,071,613 in disgorgement provided that the Commission would waive all but \$11.2 million and permit payment in four installments; and ordering Innospec to retain an independent FCPA compliance monitor for three years.¹

13. **Innospec Limited**, previously known as Associated Octel Company, Ltd., a wholly owned subsidiary of Innospec, manufactured and sold fuel and specialty chemicals, including TEL. During the relevant period Innospec Limited was headquartered in Ellesmere Port in the United Kingdom. Innospec Limited's financial results were consolidated with those of Innospec throughout the relevant period.

14. **Alcor Chemie Vertriebs GMBH ("Alcor")**, a wholly owned subsidiary of Innospec, manufactures and sells TEL to oil companies and refineries in several countries, including Iraq. Until 2005, Alcor also sold TEL to state owned oil companies in Indonesia. Alcor is incorporated in Switzerland and headquartered in Zug, Switzerland. Alcor's financial results were consolidated with those of Innospec throughout the relevant period.

15. **David P. Turner**, age 55, a citizen of the United Kingdom, held various roles, including the Business Director of Innospec's TEL group, from at least 1995 until January 2009 when he was placed on administrative leave by the company. The TEL

¹ *Securities & Exchange Commission v. Innospec, Inc.* 1:10-cv-00448 (D.D.C.)(RMC).

group is part of Innospec Inc's Octane Additives Division and employees of the TEL group report to both Innospec Inc. and Innospec Ltd. Turner left the company on June 12, 2009. On August 5, 2010, the Commission filed a settled action against Turner.²

16. **Ousama M. Naaman**, age 61, a dual citizen of Lebanon and Canada, was the agent in Iraq from at least 1995 until 2008 for Innospec and Alcor, a wholly-owned subsidiary of Innospec. Naaman was a resident and maintained his principal offices in Abu Dhabi, United Arab Emirates. As Innospec's and Alcor's agent, Naaman negotiated contracts with the Iraqi Ministry of Oil for the sale of TEL to Iraq. Naaman was the principal of two companies, Interact S.A.R.L. and Tawam Commercial Est., which he used to facilitate the payment of kickbacks and bribes. Naaman was extradited to the United States and pled guilty to bribery on June 25, 2010.³ Naaman was charged with one count of conspiracy to commit wire fraud, violate the FCPA, and falsify the books and records of a U.S. issuer, and one count of violating the FCPA. On August 5, 2010, the Commission filed a settled action against Naaman.⁴

17. **Executive B**, a citizen of the United Kingdom, was the CEO of Innospec from 1998 until approximately April 2005.

18. **Corporate Officer A** is an official of Innospec.

19. **Alcor Manager**, a German citizen, was the General Manager of Alcor during the relevant period. He currently resides in Switzerland.

² *SEC v. David P. Turner and Ousama M. Naaman*, 1:10-cv-01309 (D.D.C.)(RMC).

³ *U.S. v. Ousama M. Naaman*, Criminal No. 08-246-ESH (D.D.C.).

⁴ *SEC v. David P. Turner and Ousama M. Naaman*, 1:10-cv-01309 (D.D.C.)(RMC).

20. **Pertamina, BP Migas, and Lemigas**, are all state owned oil and gas related companies in Indonesia. During the relevant period, Alcor and its agent negotiated contracts for the sale of TEL to Pertamina and BP Migas.

21. **The Iraqi Ministry of Oil (“MoO”)**, including its component oil refineries, was an agency of the Government of Iraq. During the relevant period, the Ministry of Oil purchased TEL from Alcor for use at the Basrah, Daura and Baiji refineries in Iraq.

22. **The Trade Bank of Iraq** was an agency of the Government of Iraq.

23. **Indonesian Agent** was Alcor’s agent in Indonesia during the relevant period.

24. **Managing Director**, a British Citizen, was Innospec’s Managing Director for the Asia Pacific Region from 2001 to 2003.

25. **Official V** was a senior official at Pertamina, an Indonesian state owned oil and gas company.

26. **Official X** was a senior official at BP Migas, an Indonesian state owned oil and gas company and who previously was a senior official at the Ministry of Energy and Mineral Resources.

27. **Official Y** was a senior official at Pertamina.

28. **Official Z** was a senior official who replaced Official Y at Pertamina.

FACTS

I. BRIBERY OF IRAQI OFFICIALS IN CONNECTION WITH TEL SALES

29. Innospec’s bribery in Iraq began as early as 2000 when Innospec paid kickbacks to Iraq in order to secure five contracts under the United Nations Oil for Food

Program.⁵ Jennings was not involved in the Oil for Food kickback scheme. Jennings joined Innospec as the Chief Financial Officer in November 2002. Jennings learned of the longstanding practice of paying bribes to obtain TEL orders in mid to late 2004. In 2004, Jennings assumed the role of head of the TEL unit in addition to his role as CFO. Executive B, the former Chief Executive Officer of Innospec, informed Jennings that Innospec paid kickbacks during the Oil for Food Program and that Innospec was engaged in ongoing bribery to obtain TEL orders. At the time, Jennings reported to Executive B. After Executive B's departure in 2005, Jennings became the interim CEO replacing Executive B and became the permanent CEO and President of Innospec in June 2005. Beginning in mid to late 2004, Jennings actively participated in authorizing and approving bribery payments.⁶

30. Beginning in 2005, Jennings, along with other members of Innospec's management, approved bribery payments to officials at the Iraqi Ministry of Oil ("MoO") in order to sell TEL to Iraq through its Swiss subsidiary, Alcor Chemie Vertriebs GMBH ("Alcor"). Innospec used its agent, Naaman, to funnel the payments to Iraqi officials.

⁵ The Oil for Food Program was intended to provide humanitarian relief for the Iraqi population, which faced severe hardship under the international trade sanctions that followed Iraq's 1990 invasion of Kuwait. The Program permitted the Iraqi government to sell its crude oil and use the proceeds to purchase food, medicine, and critical infrastructure supplies through a U.N. Escrow Account maintained in New York. Corruption was rampant within the Program. By mid-2000 Iraqi ministries, on the instruction of top government officials, including Saddam Hussein, demanded companies pay a ten percent kickback on each contract. This kickback was euphemistically referred to as an "after-sales service" fee; however, no services were provided. In all, Innospec paid kickbacks of \$1,853,754 and offered additional kickbacks of \$1,985,897 to Iraq, earning revenues of approximately \$45,804,915 on the five Oil for Food contracts and profits of \$23,125,820.

⁶ Although Jennings was not involved in the payment of kickbacks during the Oil for Food Program, Jennings was aware that ASSF payments had been made and that the company's auditors had raised questions about the ASSF payments. After learning that Innospec had paid bribes in connection with the Oil for Food Program, Jennings did not inform the auditors of this information. Jennings was also aware that Iraqi oil officials who originally demanded the kickbacks in the form of ASSFs in 2003 continued demanding that Innospec pay two ASSF payments that were never made due to the invasion of Iraq by U.S. coalition forces. He was also aware, and did not disclose, that Innospec incorporated the promised kickbacks into its profit.

Innospec made payments totaling approximately \$1,610,327 and promised an additional \$884,480 to MoO officials so as to garner good will with Iraqi authorities, obtain additional orders under a Long Term Purchase Agreement that was executed in October 2004 (the "2004 LTPA") and ensure the execution of a second LTPA in January 2008 (the "2008 LTPA"). Innospec's total profit received from the conduct was \$15,439,183.

A. **Bribery of Iraqi Government Officials in Connection with the 2004 LTPA**

31. Following the termination of the U.N. Oil for Food Program in late 2003, Alcor entered into a three year Long Term Purchase Agreement for the sale of TEL to the Iraqi MoO. The 2004 LTPA was executed in October 2004, and was performed pursuant to six purchase orders dated February 2005 through December 2007. Under the contract, Alcor sold a total of 5,932 Metric Tons ("MT") of TEL at a price of €10,500 per MT. Innospec's revenues from the contract were \$82,340,489, and profits were \$15,198,125.

32. With the approval of Innospec's management, including Jennings, Innospec continued to use Naaman, the agent used to make illicit payments under the Oil for Food Program, to make improper payments to Iraqi officials to facilitate TEL shipments under the 2004 LTPA. On October 10, 2005, Naaman sent an e-mail to Turner, copying Jennings, stating that prior to opening a letter of credit for a 740 MT shipment of TEL, Iraqi officials were demanding a 2% kickback from Alcor, which equaled \$195,912.78. Naaman's e-mail to management further stated that: "We are sharing most of our profits with Iraqi officials. Otherwise, our business will stop and we will lose the market. We have to change our strategy and do more compensation to get the rewards."

33. With Jennings' knowledge, Turner responded to Naaman's e-mail on October 13, 2005, confirming that the requested kickback would be paid through an additional 2% "commission" to Naaman. On October 20, 2005, Turner and Alcor Manager discussed the wording of the invoice that Naaman would submit to Alcor to support the kickback, with Turner stating that "the fewer words the better!" That same day, Turner e-mailed Naaman the fictitious language that he wanted Naaman to include in the invoice that he submitted to Alcor for the \$195,912.78 payment. The payment was approved with Jennings' knowledge.

34. In a similar e-mail dated February 5, 2006, Naaman informed Turner that Iraqi officials were again demanding a 2% kickback in order to open a letter of credit for an order of 2000 MT (later revised to 2200 MT) of TEL under the 2004 LTPA. In an e-mail dated February 7, 2006, Jennings, while in the United States, approved the kickback payment, and on February 10, 2006, Turner wrote Naaman to confirm that Alcor would pay him an additional 2% "commission" in connection with the order. In approximately July 2006, Jennings approved an increase in Naaman's commission on the 2004 LTPA from 3% to 5% with the understanding that some or all of the additional 2% would be used by Naaman to pay off Iraqi officials on future LTPA orders.

35. On behalf of Innospec and Alcor, Naaman paid an official at the Trade Bank of Iraq in exchange for a favorable exchange rate on letters of credit for purchases under the 2004 LTPA. Jennings was aware of the scheme.

36. In all, from October 2005 to 2007, Innospec paid approximately \$1,369,269 in bribes to Iraqi officials, a significant portion funneled through Naaman, in connection with the 2004 LTPA. The false commission invoices submitted by Naaman

with the knowledge of Jennings and senior officials at Innospec caused the bribe payments to be improperly booked as legitimate commission payments on Innospec's books and records.

B. Bribery of Iraqi Government Officials to Ensure the Failure of a 2006 Trial Test of MMT and to Facilitate the Execution of a Second LTPA with Iraq in 2008

37. In addition to the bribes to facilitate TEL orders on the 2004 LTPA, Turner and others at Innospec directed and approved Naaman to pay a bribe of \$155,000 in September 2006 and April 2007 to Iraqi officials, so that Innospec could ensure the failure of a 2006 field trial test of MMT, a fuel product manufactured by a competitor of Innospec and that competed with TEL. Naaman agreed to funnel the bribe payment on Innospec's behalf.

38. Turner and others at Innospec were concerned that if the MMT test was successful it would cause Iraq to purchase substantial amounts of MMT for its oil refineries and lead to a corresponding decrease in demand for TEL in 2008. Accordingly, on September 18, 2006, Turner approved a payment of \$105,000 to Naaman, purportedly "for additional technical support and security operations required to nurture and protect ongoing TEL business in Iraq."

39. On February 28, 2007, Naaman sent Turner a letter enclosing the confidential official MoO report for the MMT field trial test and noting his success in making sure that the MMT test failed "against all odds." Naaman also enclosed a \$50,000 invoice to Innospec, saying that he had been required to pay an extra \$50,000 to ensure that the MMT report came out in Innospec's favor. The confidential report was also shared with Jennings who was generally aware of the bribery of Iraqi officials.

40. On April 3, 2007, Innospec reimbursed Naaman for the additional \$50,000 payment, which Turner approved. The two payments totaling \$155,000 were improperly booked as legitimate commission payments on Innospec's books and records. Despite the agreement between Turner and Naaman, Naaman retained some or all of the \$155,000 for himself.

41. Aside from agreeing to pay \$155,000 up front to ensure that the MMT test failed, Naaman, on Alcor's behalf and with management authorization, also promised additional bribes to Iraqi officials in connection with future TEL orders. In an e-mail dated March 21, 2007, to Turner, Naaman described how he would use his 5% commission from remaining shipments in 2007 and the new LTPA "to cover my promise to these people for the loss of their remuneration from MMT, which is a very small price we are paying versus the loss of my money and your money if MMT were admitted in." MMT was not admitted into Iraq. From in or around 2007 through February 2008, Turner and Naaman agreed to pay bribes to MoO officials to secure the 2008 LTPA with Jennings' general knowledge that bribes were paid to Iraqi officials to obtain contracts.

42. In January 2008 Alcor executed a second LTPA with the MoO. In or around late 2007 through early 2008, Naaman negotiated with a senior Iraqi MoO official to pay bribes under the 2008 LTPA. The agreement took effect in June 2008 and on February 24, 2009, the MoO opened a letter of credit in favor of Alcor for \$17,000,000. Had the agreement gone forward, 5% of the \$17,000,000, i.e. \$850,000, would presumably have been shared with Iraqi officials via Naaman.

43. The agreement, however, did not go forward due to the investigation and ultimate discovery of the widespread bribery in Iraq by United States regulators.

Innospec admitted that negotiations leading up to the agreement were tainted by bribery, and as a result, the 2008 LTPA was not performed and Innospec did not pay Naaman any commissions on the contract.

C. Innospec Engaged in a Scheme to Pay Travel and Entertainment Expenses for MoO Officials

44. Jennings was also generally aware of a scheme used by Innospec to incur good will with the MoO and ensure that it continued to receive TEL orders. Turner and others at Innospec directed and authorized payments, through Naaman, to fund lavish trips for Iraqi officials in 2005 and 2006. For example, in June 2005, Turner arranged for Naaman to pay \$22,732 to cover the costs of a trip by eight Iraqi officials to Innospec's Ellesmere plant in the UK that included hotel accommodations, food and transportation costs, as well as the provision of approximately \$1,800 in "pocket money" for each of seven officials and approximately \$3,600 for the eighth official, who was head of the Iraqi delegation. A similar trip with cash payments was taken in March 2006 to Dubai. One trip in 2006 included a trip taken by a MoO official to Jordan and then Thailand for a seven day honeymoon in exchange for the MoO official's assisting Innospec in a court proceeding in the U.K. On instructions from Turner, Naaman falsified an invoice for reimbursement of the cost of the trip to Thailand, to read "payment for airfares for trip to Amman [by the MoO official and his wife]....for business discussions..." Innospec's payment covered hotel accommodations, food, and transportation costs within Thailand.⁷

⁷ On January 30, 2008, Naaman submitted an invoice to Alcor and Turner for approval and reimbursement of \$34,480 for travel costs incurred by Iraqi MoO officials who traveled to Lebanon to finalize the 2008 LTPA with Alcor. Due to the ongoing investigations being conducted by United States regulators, Alcor never paid the invoice, which sought reimbursement for hotel accommodations, food, mobile phone cards, three cameras and \$15,000 in "pocket money" for officials.

III. JENNINGS ENGAGED IN BRIBERY OF INDONESIAN GOVERNMENT OFFICIALS AT STATE OWNED OIL AND GAS COMPANIES

45. Aside from its illicit conduct in Iraq, Innospec also paid bribes to Indonesian government officials from at least 2000 through 2005 in order to win contracts for Innospec for the sale of TEL to state owned oil and gas companies in Indonesia. Jennings became aware of and approved these payments beginning in mid to late 2004. Innospec used various euphemisms to refer to the bribery scheme, including “the Indonesian Way,” “the Lead Defense Fund,” and “TEL optimization.” The euphemisms were commonly used in e-mails and in discussions with Jennings, Turner and others at Innospec who were complicit in the bribery schemes.

46. From 2000 through 2005, the bribes were made through Indonesian Agent and totaled approximately \$2,883,507. Innospec’s revenues in connection with the illicit bribes were approximately \$48,571,937 and profits were \$21,506,610. Bribery of Indonesian officials continued until 2005, when Indonesia converted to unleaded fuel and no longer needed TEL. Jennings knew about the ongoing bribery in Indonesia from mid to late 2004.

A. Bribes to an Official at BP Migas in order to Generate More TEL Sales

47. From 2000 until approximately 2005, Turner and senior officials at Innospec were involved in a scheme to use Indonesian Agent and his company to pay bribes of approximately \$1,323,507 to Official X, who was the chairman of an Indonesian state owned oil company called BP Migas. The scheme was outlined in an e-mail dated January 8, 2001 from Managing Director to Turner stating that in 2000 and 2001 Innospec agreed to pay Official X \$40 per MT for all TEL orders in excess of 4000

tons and \$50 per MT for all TEL orders in excess of 5,000 tons. Jennings became aware of the payments made to Official X in mid to late 2004 and 2005 in return for TEL business. Innospec paid bribes of \$161,950 to Official X in 2004 and \$172,504 in 2005.

B. **Bribes to a Government Official at Pertamina in Order to Sell 446.4 Metric Tons of TEL**

48. In addition to the payments to Official X and other one-off payments, Innospec bribed other Indonesian officials in order to influence their decisions regarding TEL purchases. Prior to Jennings' knowledge of the bribery in Indonesia, Innospec was paying bribes to Official Y at Pertamina. For instance, on December 18, 2003, an employee of Indonesian Agent e-mailed Turner saying that Indonesian Agent had just returned from a meeting with Official Y at Pertamina and that Official Y had said he would help Octel, but he wanted more than just "cents" in return.

49. On May 14, 2004, the same employee e-mailed Turner to say that Indonesian Agent had been working hard to try and stop Indonesian officials from switching to unleaded fuel in January 2005, and that Indonesian Agent "might need some extra money to support the Lead Defense activities" in Indonesia.

50. In an e-mail dated August 16, 2004, to Jennings and Executive B, Turner said that the entire Board of Pertamina had been replaced and that "the old position of [Official Y was] no more." Turner added that Official Y's role would be filled by Official Z who was well known to Innospec and was being checked. In fall 2004, as head of the TEL business unit, Jennings traveled to Indonesia with Turner to meet Indonesian Agent.

51. Around November 2004, after Executive B had visited Indonesia, Executive B met with Jennings to discuss Executive B's trip. Executive B told Jennings

that bribes had been paid by Innospec for years to get business in Indonesia and Iraq. In December 2004, Jennings and Executive B discussed Innospec's bribery scheme in Iraq and Indonesia on a flight from Denver to New York. Executive B informed Jennings that "the bribery was a small cost to them, but was very beneficial; it was a small amount of money for the government officials, but could have big importance to them. This is the way it was always done" While Indonesian Agent was in the United States during the holidays, various e-mails were sent to and from the United States that discussed Jennings' and Turner's continued efforts to support Indonesian Agent's payment of bribes on Innospec's behalf. Executive B also discussed the bribery scheme during Jennings' performance review in January 2005.

52. In January 2005, Indonesian Agent secured an order on Innospec's behalf for 446.4 MT of TEL from Pertamina. In exchange, Innospec, through Turner, agreed to a "one off payment" of \$300,000 to Indonesian Agent with the understanding that it would be passed on to Official Z.

53. The payment was arranged in two parts. First Innospec, with approval by Jennings, increased Indonesian Agent's commission on the order from 6% to 10%, leading to an extra payment of \$184,363.20, which was credited to the agent's account in Singapore. To cover the balance, Turner told Indonesian Agent to submit an invoice for \$115,636.81 to Innospec, and provided the fictitious language that he wanted included in the invoice to justify the payment.

54. On February 8, 2005, Indonesian Agent e-mailed Turner saying that he had opened an account for Official Z and that Official Z had called requesting his balance payment. On February 14, 2005, Indonesian Agent submitted the \$115,636.81 invoice to

Innospec, and Turner and Jennings approved it. On March 18, 2005, Innospec credited the invoice payment to Indonesian Agent's account in Singapore. The false invoices and Turner's authorization of them caused Innospec to inaccurately record in its books and records the entire \$300,000 payment to Indonesian Agent as "sales commissions."

55. In order to ensure that Official Z approved the 446.4 MT order, Turner directed the payment of a trip taken by Official Z and his family to the UK in April 2005 with Jennings' knowledge.⁸ Innospec's revenues on the sale of 446.4 metric tons of TEL to Pertamina were \$4,796,155 and its profits were \$1,898,571.

IV. JENNINGS SIGNS FALSE CERTIFICATIONS

56. From 2004 to February 2009, Jennings signed annual certifications that were provided to auditors where he falsely stated that he complied with Innospec's Code of Ethics incorporating the company's Foreign Corrupt Practices Act policy, and that he was unaware of any violations of the Code of Ethics by anyone else. During that time frame, Jennings actively participated in bribery of Iraqi and Indonesian officials as described above. Jennings also signed annual and quarterly personal certifications pursuant to the Sarbanes-Oxley Act of 2002 in which Jennings made false certifications concerning the company's books and records and internal controls. Jennings also signed false management certifications to Innospec's auditors indicating that the books and records were accurate and that Innospec had appropriate internal controls.

⁸ On January 6, 2005, Turner sent a fax to Indonesian agent with a copy to Jennings indicating that "As Paul and I both mentioned during our meeting in Jakarta, we will plan the visit to completely suit the requirements of our friends from Pertamina." The "friends" referred to Official Z and another Pertamina official. The fax further discussed the payment of the travel costs to the U.K. for the officials, and also indicated that "[w]e will book accommodation at the most prestigious hotel in Chester and we can arrange golf, shopping or whatever is required We look forward to reviewing the commercial details and future supply arrangements for the year during the visit"

CLAIMS FOR RELIEF

FIRST CLAIM

[Violations of Section 30A of the Exchange Act]

Paragraphs 1 through 56 are realleged and incorporated by reference.

57. As described above, Jennings, corruptly offered, promised to pay, or authorized payments to one or more persons, while knowing that all or a portion of those payments would be offered, given, or promised, directly or indirectly, to foreign officials for the purpose of influencing their acts or decisions in their official capacity, inducing them to do or omit to do actions in violation of their official duties, securing an improper advantage, or inducing such foreign officials to use their influence with foreign governments or instrumentalities thereof to assist Innospec in obtaining or retaining business.

58. By reason of the foregoing, and pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], Jennings violated, and aided and abetted Innospec's violations of, and unless enjoined will continue to violate, and aid and abet violations of, Section 30A of the Exchange Act. [15 U.S.C. § 78dd-1]

SECOND CLAIM

[Violations of Section 13(b)(5) of the Exchange Act and Rules 13a-14, 13b2-1 and 13b2-2 thereunder]

Paragraphs 1 through 58 are realleged and incorporated by reference.

59. As described above, Jennings knowingly circumvented or knowingly failed to implement a system of internal accounting controls or knowingly falsified any book, record or account as described in Section 13(b)(2) of the Exchange Act [15 U.S.C.

§ 78m(b)(2)] or falsified or caused to be falsified any book, record or account subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

60. As described above, Jennings directly or indirectly made or caused to be made a materially false or misleading statement to an accountant in connection with an audit, review or examination of the financial statements of Innospec.

61. As described above, Jennings signed false personal certifications required by the Sarbanes-Oxley Act of 2002 that were attached to annual and quarterly Innospec public filings.

62. By reason of the foregoing, Jennings violated, and unless enjoined will continue to violate, Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rules 13a-14, 13b2-1 and 13b2-2 thereunder [17 C.F.R. § 240.13a-14, 17 C.F.R. § 240.13b2-1 and 17 C.F.R. § 240.13b2-2].

THIRD CLAIM

[Violations of Section 13(b)(2)(A) of the Exchange Act]

Paragraphs 1 through 62 are realleged and incorporated by reference.

63. As described above, Jennings knowingly provided substantial assistance to Innospec's failure to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected its transactions and dispositions of its assets.

64. By reason of the foregoing, pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], Jennings aided and abetted Innospec's violations of, and unless enjoined will continue to aid and abet violations of, Section 13(b)(2)(A) of the Exchange Act. [15 U.S.C. § 78m(b)(2)(A)]

FOURTH CLAIM

[Violations of Section 13(b)(2)(B) of the Exchange Act]

Paragraphs 1 through 64 are realleged and incorporated by reference.

65. As described above, Jennings knowingly provided substantial assistance to Innospec's failure to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions were executed in accordance with management's general or specific authorization; and (ii) transactions were recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for its assets.

66. By reason of the foregoing, pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], Jennings aided and abetted violations of, and unless enjoined will continue to aid and abet violations of, Section 13(b)(2)(B) of the Exchange Act. [15 U.S.C. § 78m(b)(2)(B)]

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a final judgment:

A. Permanently restraining and enjoining Jennings from violating Exchange Act Sections 30A and 13(b)(5) and Rules 13a-14, 13b2-1, and 13b2-2 thereunder, [15 U.S.C. § 78dd-1, § 78m(b)(5), and 17 C.F.R. § 240.13a-14, 17 C.F.R. § 240.13b2-1 and 17 C.F.R. § 240.13b2-2] and from aiding and abetting violations of Exchange Act Sections 30A, 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. § 78dd-1, § 78m(b)(2)(A) and § 78m(b)(2)(B)].

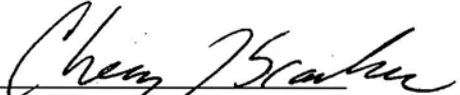
B. Ordering Jennings to disgorge ill-gotten gains wrongfully obtained as a result of their illegal conduct, including pre-judgment interest;

C. Ordering Jennings to pay a civil penalty pursuant to Exchange Act Sections 21(d)(3) and 32(c) [15 U.S.C. §§ 78u(d)(3) and 78ff(c)]; and

D. Granting such further relief as the Court may deem just and appropriate.

Dated: Jan 24, 2011

Respectfully submitted,


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