

# THE WALL STREET JOURNAL.

## BUSINESS

# Petrobras to Pay \$2.95 Billion to Settle U.S. Suit Over Corruption

'Car Wash' settlement would likely rank as fifth-largest on record for securities class-action suits by some estimates



Contractors for Petrobras allegedly colluded for at least a decade to drive up the price of services they billed to the oil company while paying billions of dollars in kickbacks to corrupt Petrobras executives and government officials. PHOTO: MARIO TAMA/GETTY IMAGES

## SHARE



By *Paul Kiernan*

Updated Jan. 3, 2018 10:46 a.m. ET

RIO DE JANEIRO—Brazilian state-run oil company Petróleo Brasileiro SA said Wednesday that it would pay one of the highest-value settlements in history to end a class-action lawsuit by U.S. investors who had sought to recoup corruption-related losses.

Petrobras, as the company is known, said it agreed to pay \$2.95 billion to resolve claims by investors who bought its U.S.-listed shares or bonds between January 2010 and July 2015. During most of that period, Brazilian courts have since found, Petrobras was spending tens of billions of dollars a year on contracts that were inflated by one of the biggest corruption schemes ever uncovered.

If approved, the settlement would likely rank as the fifth-largest on record for securities class-action suits, according to Stanford Law School and Cornerstone Research, which jointly track such cases. As the largest payout ever by a foreign corporation, it also could have far-reaching implications for overseas companies that tap U.S. equity or debt markets for funding, experts say.

“We are very pleased with this historic settlement,” plaintiffs’ attorney Jeremy Lieberman said in a statement, noting that precedent-setting decisions over the three-year trial could help investors build class-action cases for decades to come. “Simply put, this litigation and its ultimate resolution have yielded an excellent result for the class.”

ADVERTISEMENT



### 3 Easy Steps

1. Click “Start Now”
2. Run and Install
3. Open new Tab



---

## Related

- [Petrobras Suspends Top Compliance Officer](#) (Aug. 23, 2017)
- [Former Petrobras CEO Arrested in Corruption Probe](#) (July 27, 2017)
- [Brazil, Widening the Hunt for Corruption, Finds It Under Every Rock](#) (March 7, 2017)
- [Petrobras Settles More Individual Shareholder Lawsuits](#) (Nov. 23, 2016)
- [Petrobras Plans to Claim Part of Odebrecht's Anticorruption Settlement](#) (Dec. 23, 2016)

By plaintiffs' estimates, [the scheme now known as Car Wash](#) contributed to wiping out some \$271 billion, or almost 90%, of Petrobras's market value between 2009 and 2015.

According to thousands of Brazilian court documents, Petrobras's contractors colluded for at least a decade to drive up the price of services they billed to the oil company while paying billions of dollars in kickbacks to corrupt Petrobras executives and government officials.

"The agreement is in the company's best interest and that of its shareholders, given the risks of a verdict advised by a jury," Petrobras said in a statement. "It eliminates the risk of an adverse judgment which...could have a material adverse effect on the company and its financial situation, and puts an end to the uncertainties, burdens and costs of protracted litigation."

Petrobras has long maintained that it was a victim of the scheme, and local authorities agree. In Brazil, Petrobras has been spared from prosecution and allowed to collect some \$453 million in restitution from former executives and suppliers.

But legal experts say it was always far from certain whether U.S. courts would follow suit.

Petrobras's chief, Pedro Parente, seen during a business event on Dec. 21, 2017. PHOTO: ADRIANO MACHADO/REUTERS

The plaintiffs in the U.S. class-action suit, including the Hawaii state employees' retirement system and the North Carolina state treasurer, argued that Petrobras knew about the graft and was complicit in concealing it from investors and the public. Even at the height of the scheme, Petrobras made frequent public statements assuring investors of its business ethics and anticorruption safeguards, plaintiffs note. In addition, they argue the company significantly overstated the value of assets inflated by corruption, including in the financial disclosures it made after Car Wash became public.

Kevin LaCroix, an attorney who advises companies on directors' and officers' liability insurance, said he expects the settlement to draw more plaintiffs' lawyers toward securities class actions, particularly those involving non-U.S. companies or bribery allegations.

"This is much larger than any prior settlement of these kinds of lawsuits," Mr. LaCroix said. It shows, he said, that "bribery and corruption exposure represents not only a regulatory and possibly a prosecutorial threat but also a civil-litigation threat."

For Petrobras, which is slowly digging itself out from beneath the global oil industry's largest debt burden, the settlement removes a major source of uncertainty.

Court documents from the class-action suit suggested plaintiffs could seek tens of billions of dollars in damages from Petrobras. And while the company publicly sought to minimize the plaintiffs' case, lawyers

following the suit often have expressed amazement at the overwhelming amount of evidence coming out of Brazil.

Since Car Wash became public in late 2014, [more than 100 people have been convicted of corruption](#) and other offenses. As the investigation progressed, Brazilian prosecutors secured an unprecedented number of plea bargains from witnesses [including high-level Petrobras officials](#) who provided documentation of the bribes they received.

“The plaintiffs must have been able to prove their damages case pretty convincingly in order to move the defendants to the negotiating table and to get them to settle around such a large number,” said Sean Griffith, an expert in corporate and securities law at Fordham University’s law school.

**Write to** Paul Kiernan at [paul.kiernan@wsj.com](mailto:paul.kiernan@wsj.com)

---

#### EDITORS’ PICKS

[WSJ Membership Benefits](#) | [Customer Center](#)

[Legal Policies](#) | [Download WSJ Apps](#)

**THE WALL STREET JOURNAL.**

Copyright ©2017 Dow Jones & Company, Inc. All Rights Reserved.