

In the Matter of Westport Fuel Systems, Inc. and Nancy Gougarty (2019)

Nature of the Business.

Westport Fuel Systems, Inc., a Canadian corporation with its headquarters in Vancouver, Canada, creates and constructs clean fuel systems. Westport's common stock is registered with the SEC. Westport has many subsidiaries, one of which is a Hong Kong entity that owns shares in Westport's Chinese joint venture.

Nancy Gougarty, a United States citizen, was the Chief Executive Officer and member of Westport's board of directors from July 2016 through January 2019.

Influence to be Obtained.

According to the SEC, Westport and Gougarty, as well as others, carried out a scheme to bribe a Chinese government official to acquire business and a cash dividend payment from Westport's Chinese joint venture. Specifically, the SEC maintains that Westport, through Gougarty and others, attempted to convey value to the Chinese foreign government official by moving low-valued shares in the joint venture to a private equity firm in which the official had an interest. The SEC believes Westport hoped this action would result in \$3.5 million windfall dividend from the joint venture and that Westport would then be able to execute a supply agreement with the joint venture.

Additionally, the SEC alleges that Gougarty did not implement appropriate measures for internal accounting purposes, that she intentionally skirted around Westport's existing controls, and that she made false representations in an attachment to Form 40-F.

Enforcement.

On September 27, 2019, the SEC announced that Westport and Gougarty had agreed to pay more than \$4.1 million to resolve charges that they violated the FCPA's anti-bribery, books-and-records, and internal controls provisions. Without admitting to the SEC's findings, Westport agreed to pay \$2,546,000 in disgorgement and prejudgment interest as well as a civil penalty of \$1,500,000. Furthermore, Gougarty has agreed to pay a civil penalty of \$120,000.

Key Facts

Citation. *In the Matter of Westport Fuel Systems, Inc. and Nancy Gougarty*, Admin. Proc. File No. 3-19543 (Sept. 27, 2019).

Date Filed. September 27, 2019.

Country. China.

Date of Conduct. 2016 – 2019.

Amount of the Value. Not Stated.

Amount of Business Related to the Payment. \$3.5 million.

Intermediary. Chinese private equity fund.

Foreign official. Unnamed government official from China.

FCPA Statutory Provision.

- **Westport.** Anti-Bribery; Books-and-Records; Internal Controls.
- **Gougarty.** Anti-Bribery; Books-and-Records; Internal Controls.

Other Statutory Provision. None.

Disposition. Cease-and-Desist Order.

Defendant Jurisdictional Basis. Issuer (Westport); Agent of Issuer (Gougarty).

Defendant's Citizenship. Canada (Westport); United States (Gougarty).

Total Sanction. \$4,046,000 (Westport); \$120,000 (Gougarty).

Compliance Monitor/Reporting Requirements. Two-year Reporting Requirement.

Related Enforcement Actions. None.

Total Combined Sanction. \$4,166,000.