



U.S. Department of Justice

Criminal Division

July 6, 2012

Carlos F. Ortiz
LeClairRyan
One Riverfront Plaza
1037 Raymond Boulevard
Sixteenth Floor
Newark, New Jersey 07102

Re: The NORDAM Group, Inc.

Dear Mr. Ortiz:

On the understandings specified below, the United States Department of Justice, Criminal Division, Fraud Section (the "Department") will not criminally prosecute The NORDAM Group, Inc., its subsidiaries, or its affiliates (collectively, the "Company"), a corporation organized under the laws of Delaware and headquartered in Tulsa, Oklahoma, for any crimes (except for criminal tax violations, as to which the Department does not make any agreement) related to violations of the anti-bribery provisions of the Foreign Corrupt Practices Act ("FCPA"), Title 15, United States Code, Section 78dd-2, arising from and related to the paying of bribes to employees of state-owned and -controlled customers in China, as described in Attachment A attached hereto, which is incorporated herein by reference, and any other conduct relating to corrupt payments by the Company disclosed by the Company to the Department prior to the date on which this Agreement was signed. The Department enters into this Non-Prosecution Agreement based, in part, on the following factors: (a) the Company's timely, voluntary, and complete disclosure of the conduct; (b) the Company's real-time cooperation with the Department, including conducting an internal investigation, voluntarily making employees available for interviews, and collecting and analyzing voluminous documents and information for the Department; (c) the Company's remedial efforts already undertaken, including enhancing its internal audit function, its compliance program, and its due diligence protocol for third-party agents, and to be undertaken, including enhancements to its compliance program as described in Attachment B (Corporate Compliance Program); (d) the Company's agreement to provide annual, written reports to the Department on its progress and experience in monitoring and enhancing its compliance policies and procedures, as described in Attachment C (Corporate Compliance Reporting); and (e) the Company has agreed to continue to cooperate with the Department in any ongoing investigation of the conduct of the Company and its officers, directors, employees, agents, and consultants relating to violations of the FCPA as discussed below.

It is understood that the Company admits, accepts, and acknowledges responsibility for the conduct set forth in Attachment A and agrees not to make any public statement contradicting Attachment A.

This Agreement does not provide any protection against prosecution for any crimes except as set forth above, and applies only to the Company and not to any other entities or to any individuals. The Company expressly understands that the protections provided under this Agreement shall not apply to any acquirer or successor entity unless and until such acquirer or successor formally adopts and executes this Agreement.

This Agreement shall have a term of three (3) years from the date that this Agreement is executed, except as specifically provided in the following paragraph. It is understood that for the three-year term of this Agreement, the Company shall: (a) commit no felony under U.S. federal law; (b) truthfully and completely disclose non-privileged information with respect to the activities of the Company, its officers, directors, employees, and others concerning all matters about which the Department inquires of it, which information can be used for any purpose, except as otherwise limited in this Agreement; and (c) bring to the Department's attention all conduct by, or criminal investigations of, the Company, any of its employees, its subsidiaries, or its affiliates relating to any felony under U.S. federal law that come to the attention of the Company's senior management, as well as any administrative proceeding or civil action brought by any governmental authority that alleges fraud or corruption by or against the Company.

Until the date upon which all investigations and any prosecution arising out of the conduct described in this Agreement are concluded, whether or not they are concluded within the term of this Agreement, the Company shall, subject to applicable laws or regulations: (a) cooperate fully with the Department, the Federal Bureau of Investigation, and any other law enforcement agency designated by the Department regarding matters arising out of the conduct covered by this Agreement; (b) assist the Department in any investigation or prosecution arising out of the conduct covered by this Agreement by providing logistical and technical support for any meeting, interview, grand jury proceeding, or any trial or other court proceeding; (c) use its best efforts promptly to secure the attendance and truthful statements or testimony of any officer, director, agent, or employee of the Company at any meeting or interview or before the grand jury or at any trial or other court proceeding regarding matters arising out of the conduct covered by this Agreement; and (d) provide the Department, upon request, all non-privileged information, documents, records, or other tangible evidence regarding matters arising out of the conduct covered by this Agreement about which the Department or any designated law enforcement agency inquires.

It is understood that the Company has agreed to pay a monetary penalty of \$2,000,000. The Company agrees to pay this sum to the United States Treasury within ten (10) days of executing this Agreement. The Company acknowledges that no tax deduction may be sought in connection with this payment. In addition to the factors already identified above, pursuant to United States Sentencing Guidelines § 8C3.3, the parties agree to a fine substantially below the standard range under the United States Sentencing Guidelines because the Company has fully demonstrated to the Department that a fine exceeding \$2,000,000 will substantially jeopardize

the Company's continued viability. This discount recognizes that, over a period of months, the Company fully cooperated with the Department and with an independent accounting expert that the Department retained to review the Company's financial condition. Following that review, the Department and its independent expert both concluded that this discount was appropriate under the Sentencing Guidelines.

It is understood that the Company will strengthen its compliance, bookkeeping, and internal control standards and procedures, as set forth in Attachment B. It is further understood that the Company will report to the Department periodically regarding remediation and implementation of the compliance program and internal controls, policies, and procedures, as described in Attachment C.

It is understood that, if the Department in its sole discretion determines that the Company has committed any felony under U.S. federal law after signing this Agreement, that the Company has deliberately given false, incomplete, or misleading testimony or information at any time in connection with this Agreement, or the Company otherwise has violated any provision of this Agreement, the Company shall thereafter be subject to prosecution for any violation of federal law which the Department has knowledge, including perjury and obstruction of justice. Any such prosecution that is not time-barred by the applicable statute of limitations on the date that this Agreement is executed may be commenced against the Company, notwithstanding the expiration of the statute of limitations during the term of this Agreement plus one year. Thus, by signing this agreement, the Company agrees that the statute of limitations with respect to any prosecution that is not time-barred as of the date this Agreement is executed shall be tolled for the term of this Agreement plus one year.

It is understood that, if the Department in its sole discretion determines that the Company has committed any felony under U.S. federal law after signing this Agreement, that the Company has given false, incomplete, or misleading testimony or information in connection with this Agreement, or that the Company otherwise has violated any provision of this Agreement: (a) all statements made by the Company to the Department or other designated law enforcement agents, including Attachment A hereto, and any testimony given by the Company before a grand jury or other tribunal, whether before or after the execution of this Agreement, and any leads from such statements or testimony, shall be admissible in evidence in any criminal proceeding brought against the Company; and (b) the Company shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom are inadmissible or should be suppressed. By signing this Agreement, the Company waives all rights in the foregoing respects.

In the event that the Department determines that the Company has breached this Agreement, the Department agrees to provide the Company with written notice of such breach prior to instituting any prosecution resulting from such breach. the Company shall, within thirty (30) days of receipt of such notice, have the opportunity to respond to the Department in writing to explain the nature and circumstances of such breach, as well as the actions the Company has taken to address and remediate the situation, which explanation the Department shall consider in determining whether to institute a prosecution.

It is further understood that this Agreement does not bind any federal, state, local, or foreign prosecuting authority other than the Department. The Department will, however, bring the cooperation of the Company to the attention of other prosecuting and investigative offices, if requested by the Company.


It is further understood that the Company and the Department may disclose this Agreement to the public.

With respect to this matter, from the date of execution of this Agreement forward, this Agreement supersedes all prior, if any, understandings, promises and/or conditions between the Department and the Company. No additional promises, agreements, or conditions have been entered into other than those set forth in this Agreement and none will be entered into unless in writing and signed by all parties.

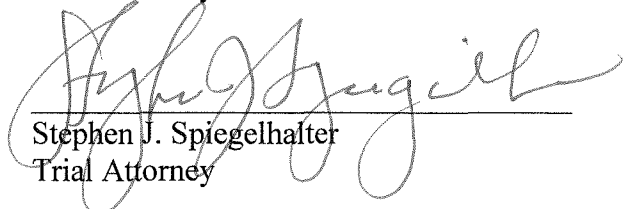
Sincerely,

DENIS J. McINERNEY
Chief, Fraud Section
Criminal Division
United States Department of Justice

Date: 7/16/12

BY: 
Daniel S. Kahn
Trial Attorney

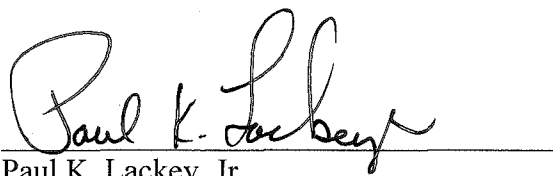
Date: 7/10/12

BY: 
Stephen J. Spiegelhalter
Trial Attorney


AGREED AND CONSENTED TO:

The NORDAM Group, Inc.

Date: 7/5/2012

BY: 
Paul K. Lackey, Jr.
Chairman of the Board
The NORDAM Group, Inc.

Date: 7/9/12

BY: 
Carlos F. Ortiz
LeClairRyan

ATTACHMENT A

STATEMENT OF FACTS

This Statement of Facts is incorporated by reference as part of the non-prosecution agreement, dated July 6, 2012, between the United States Department of Justice, Criminal Division, Fraud Section (the “Department”) and The NORDAM Group, Inc., its subsidiaries, and affiliates (“NORDAM” or the “Company”). The Department and the Company agree that, at all relevant times, the following facts are true and correct:

1. NORDAM is headquartered in Tulsa, Oklahoma, incorporated in Delaware, and thus a “domestic concern,” as that term is used in the FCPA, Title 15, United States Code, Section 78dd-2(h)(1)(B). NORDAM is in the business of designing and manufacturing aircraft parts and providing maintenance, repair, and overhaul (“MRO”) services to customers in the United States and abroad, including in China. NORDAM’s customers in China include state-owned and -controlled entities, including airlines created, controlled, and exclusively owned by the People’s Republic of China.

2. NORDAM Singapore Pte Ltd. (“NSPL”) is registered in Singapore and is a wholly owned subsidiary of NORDAM. NORDAM provides MRO services to customers in the Asia Pacific region, including in China, primarily through NSPL.

3. World Aviation Associates Pte Ltd. (“WAAPL”) is registered in Singapore and is an affiliate of NORDAM. WAAPL performs marketing and sales services for both NORDAM and NSPL in the Asia Pacific region, including in China.

4. From 1999 until 2008, employees at NSPL and WAAPL paid bribes to employees of state-owned and -controlled entities in China in order to obtain or retain MRO business with those customers. Several NORDAM employees in the United States were made aware of and

approved these bribes. The bribes were referred to internally as “commissions” or “facilitator fees.” The facilitator fees were paid to “facilitators” who, in fact, were employees of customers. These facilitators were also referred to internally as “internal guys,” “internal ghosts,” or “our friends inside.”

5. The facilitator fees either were paid directly to the customer’s employee by wire transferring money to the employee’s bank account or were paid indirectly by first depositing the money into the personal bank accounts of WAAPL employees, who would then withdraw all or a portion of these fees to pay the customer employees in cash.

6. In or about 2002, in an effort to further disguise the payments to customer employees, three WAAPL employees created fictitious entities and entered into sales representation agreements with those entities. The commissions that NORDAM paid to these fictitious entities were used, at least in part, to pay employees of customers to assist in securing contracts for NORDAM and NSPL.

7. Although many of the bribe payments were paid out of NORDAM’s and NSPL’s gross profits, in some instances NORDAM, NSPL, and WAAPL artificially inflated the customer invoice to offset the bribes paid to those customers’ employees. As a result, in these instances, NORDAM’s customers were unknowingly reimbursing NORDAM for the bribes that NORDAM paid to customer employees to secure the projects.

8. On or about April 22, 2004, a NORDAM employee sent an e-mail to two WAAPL employees, stating, “[d]o what you have to do to get the business. If that means using an agent, then let’s make sure we are discrete when communicating the information in trip reports. I agree . . . that we should not require an agent at every account, however, I also understand the reality of doing business in Asia. I trust your judgment, it is your call.”

9. On or about December 30, 2004, an agent of WAAPL sent an e-mail to a NORDAM employee and two WAAPL employees, stating, “[o]n this deal we also need to cover our friends inside.”

10. On or about December 30, 2004, the NORDAM employee responded to the e-mail described in Paragraph 9, stating, “I don’t see where our friends have done anything to help us here. If our friends can help us, I will agree to split 50/50 with you any amount we get over \$160K.”

11. In all, NORDAM, NSPL, and WAAPL paid as high as \$1.5 million in bribes to secure roughly \$2.48 million in profits from state-owned and controlled customers in China.

ATTACHMENT B

CORPORATE COMPLIANCE PROGRAM

In order to address any deficiencies in its internal controls, policies, and procedures regarding compliance with the Foreign Corrupt Practices Act (“FCPA”), 15 U.S.C. §§ 78dd-1, *et seq.*, and other applicable anti-corruption laws, The NORDAM Group, Inc. (the “Company”) agrees to continue to conduct, in a manner consistent with all of its obligations under this Agreement, appropriate reviews of its existing internal controls, policies, and procedures.

Where necessary and appropriate, the Company agrees to adopt new or to modify existing internal controls, policies, and procedures in order to ensure that it maintains: (a) a system of internal accounting controls designed to ensure that the Company makes and keeps fair and accurate books, records, and accounts; and (b) a rigorous anti-corruption compliance code, standards, and procedures designed to detect and deter violations of the FCPA and other applicable anti-corruption laws. At a minimum, this should include, but not be limited to, the following elements to the extent they are not already part of the Company’s existing internal controls, policies, and procedures:

1. The Company will develop and promulgate a clearly articulated and visible corporate policy against violations of the FCPA and other applicable foreign law counterparts (collectively, the “anti-corruption laws,”), which policy shall be memorialized in a written compliance code.

2. The Company will ensure that its senior management provides strong, explicit, and visible support and commitment to its corporate policy against violations of the anti-corruption laws and its compliance code.

3. The Company will develop and promulgate compliance standards and procedures designed to reduce the prospect of violations of the anti-corruption laws and the Company's compliance code, and the Company will take appropriate measures to encourage and support the observance of ethics and compliance standards and procedures against foreign bribery by personnel at all levels of the Company. These anti-corruption standards and procedures shall apply to all directors, officers, and employees and, where necessary and appropriate, outside parties acting on behalf of the Company in a foreign jurisdiction, including but not limited to, agents and intermediaries, consultants, representatives, distributors, teaming partners, contractors and suppliers, consortia, and joint venture partners (collectively, "agents and business partners"), to the extent that agents and business partners may be employed under the Company's corporate policy. The Company shall notify all employees that compliance with the standards and procedures is the duty of individuals at all levels of the company. Such standards and procedures shall include policies governing:

- a. gifts;
- b. hospitality, entertainment, and expenses;
- c. customer travel;
- d. political contributions;
- e. charitable donations and sponsorships;
- f. facilitation payments; and
- g. solicitation and extortion.

4. The Company will develop these compliance standards and procedures, including internal controls, ethics, and compliance programs on the basis of a risk assessment

addressing the individual circumstances of the Company, in particular the foreign bribery risks facing the Company, including, but not limited to, its geographical organization, interactions with various types and levels of government officials, industrial sectors of operation, involvement in joint venture arrangements, importance of licenses and permits in the Company's operations, degree of governmental oversight and inspection, and volume and importance of goods and personnel clearing through customs and immigration.

5. The Company shall review its anti-corruption compliance standards and procedures, including internal controls, ethics, and compliance programs, no less than annually, and update them as appropriate, taking into account relevant developments in the field and evolving international and industry standards, and update and adapt them as necessary to ensure their continued effectiveness.

6. The Company will assign responsibility to one or more senior corporate executives of the Company for the implementation and oversight of the Company's anti-corruption policies, standards, and procedures. Such corporate official(s) shall have direct reporting obligations to independent monitoring bodies, including internal audit, the Company's Board of Directors, or any appropriate committee of the Board of Directors, and shall have an adequate level of autonomy from management as well as sufficient resources and authority to maintain such autonomy.

7. The Company will ensure that it has a system of financial and accounting procedures, including a system of internal controls, reasonably designed to ensure the maintenance of fair and accurate books, records, and accounts to ensure that they cannot be used for the purpose of foreign bribery or concealing such bribery.

8. The Company will implement mechanisms designed to ensure that its anti-corruption policies, standards, and procedures are effectively communicated to all directors, officers, employees, and, where appropriate, agents and business partners. These mechanisms shall include: (a) periodic training for all directors, officers, and employees, and, where necessary and appropriate, agents and business partners; and (b) annual certifications by all such directors, officers, and employees, and, where necessary and appropriate, agents, and business partners, certifying compliance with the training requirements.

9. The Company will maintain, or where necessary establish, an effective system for:

a. Providing guidance and advice to directors, officers, employees, and, where appropriate, agents and business partners, on complying with the Company's anti-corruption compliance policies, standards, and procedures, including when they need advice on an urgent basis or in any foreign jurisdiction in which the Company operates;

b. Internal and, where possible, confidential reporting by, and protection of, directors, officers, employees, and, where appropriate, agents and business partners, not willing to violate professional standards or ethics under instructions or pressure from hierarchical superiors, as well as for directors, officers, employees, and, where appropriate, agents and business partners, willing to report breaches of the law or professional standards or ethics concerning anti-corruption occurring within the Company, suspected criminal conduct, and/or violations of the compliance policies, standards, and procedures regarding the anti-corruption laws for directors, officers, employees, and, where necessary and appropriate, agents and business partners; and

c. Responding to such requests and undertaking appropriate action in response to such reports.

10. The Company will institute appropriate disciplinary procedures to address, among other things, violations of the anti-corruption laws and the Company's anti-corruption compliance code, policies, and procedures by the Company's directors, officers, and employees. The Company shall implement procedures to ensure that where misconduct is discovered, reasonable steps are taken to remedy the harm resulting from such misconduct, and to ensure that appropriate steps are taken to prevent further similar misconduct, including assessing the internal controls, ethics, and compliance program and making modifications necessary to ensure the program is effective.

11. To the extent that the use of agents and business partners is permitted at all by the Company, it will institute appropriate due diligence and compliance requirements pertaining to the retention and oversight of all agents and business partners, including:

a. Properly documented risk-based due diligence pertaining to the hiring and appropriate and regular oversight of agents and business partners;

b. Informing agents and business partners of the Company's commitment to abiding by laws on the prohibitions against foreign bribery, and of the Company's ethics and compliance standards and procedures and other measures for preventing and detecting such bribery; and

c. Seeking a reciprocal commitment from agents and business partners.

12. Where necessary and appropriate, the Company will include standard provisions in agreements, contracts, and renewals thereof with all agents and business partners that are

reasonably calculated to prevent violations of the anti-corruption laws, which may, depending upon the circumstances, include: (a) anti-corruption representations and undertakings relating to compliance with the anti-corruption laws; (b) rights to conduct audits of the books and records of the agent or business partner to ensure compliance with the foregoing; and (c) rights to terminate an agent or business partner as a result of any breach of anti-corruption laws, and regulations or representations and undertakings related to such matters.

13. The Company will develop and implement policies and procedures for mergers and acquisitions requiring that the Company conduct appropriate risk-based due diligence on potential new business entities, including appropriate FCPA and anti-corruption due diligence by legal, accounting, and compliance personnel. If the Company discovers any corrupt payments or inadequate internal controls as part of its due diligence of newly acquired entities or entities merged with the Company, it shall report such conduct to the Department as required in Attachment C to this Agreement.

14. The Company will ensure that the Company's policies and procedures regarding the anti-corruption laws apply as quickly as is practicable to newly acquired businesses or entities merged with the Company and will promptly:

a. Train directors, officers, employees, agents, consultants, representatives, distributors, joint venture partners, and relevant employees thereof, who present corruption risk to the Company, on the anti-corruption laws and the Company's policies and procedures regarding anti-corruption laws.

b. Conduct an FCPA-specific audit of all newly acquired or merged businesses as quickly as practicable.

15. The Company will conduct periodic review and testing of its anti-corruption compliance code, standards, and procedures designed to evaluate and improve their effectiveness in preventing and detecting violations of anti-corruption laws and the Company's anti-corruption code, standards and procedures, taking into account relevant developments in the field and evolving international and industry standards.

ATTACHMENT C

REPORTING REQUIREMENTS

The NORDAM Group, Inc. (the “Company”) agrees that it will report to the Department periodically, at no less than twelve-month intervals during a three-year term, regarding remediation and implementation of the compliance program and internal controls, policies, and procedures described in Attachment B. Should the Company discover credible evidence that questionable or corrupt payments or questionable or corrupt transfers of property or interests may have been offered, promised, paid, or authorized by any Company entity or person, or any entity or person working directly for the Company (including its affiliates and any agent), or that related false books and records have been maintained, the Company shall promptly report such conduct to the Department. During this three-year period, the Company shall: (1) conduct an initial review and submit an initial report, and (2) conduct and prepare at least two (2) follow-up reviews and reports, as described below:

a. By no later than one (1) year from the date this Agreement is executed, the Company shall submit to the Department a written report setting forth a complete description of its remediation efforts to date, its proposals reasonably designed to improve the Company’s internal controls, policies, and procedures for ensuring compliance with the FCPA and other applicable anti-corruption laws, and the proposed scope of the subsequent reviews. The report shall be transmitted to Deputy Chief - FCPA Unit, Fraud Section, Criminal Division, U.S. Department of Justice, 1400 New York Avenue, NW, Bond Building, Fourth Floor, Washington, DC 20530. The Company may extend the time period for issuance of the report with prior written approval of the Department.

b. The Company shall undertake at least two (2) follow-up reviews, incorporating the Department's views on the Company's prior reviews and reports, to further monitor and assess whether the Company's policies and procedures are reasonably designed to detect and prevent violations of the FCPA and other applicable anti-corruption laws.

c. The first follow-up review and report shall be completed by no later than one (1) year after the initial review. The second follow-up review and report shall be completed by no later than one (1) year after the completion of the preceding follow-up review.

d. The reports will likely include proprietary, financial, confidential, and competitive business information. Moreover, public disclosure of the reports could discourage cooperation with the review and thus undermine the objectives of the reports. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except as otherwise agreed to by the parties in writing, or except to the extent that the Department determines in its sole discretion that disclosure would be in furtherance of the Department's discharge of its duties and responsibilities or is otherwise required by law.

e. The Company may extend the time period for submission of any of the follow-up reports with prior written approval of the Department.