

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 60005 / May 29, 2009

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 2981 / May 29, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13495

In the Matter of

**UNITED INDUSTRIAL
CORPORATION,**

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against United Industrial Corporation (“UIC” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which 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 it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. Beginning in late 2001, and continuing through 2002, UIC, through its indirect, wholly owned subsidiary ACL Technologies, Inc. ("ACL"), made multiple payments to one of its foreign agents in connection with a military aircraft depot ACL was building for the Egyptian Air Force ("EAF") in Cairo, Egypt. Thomas Wurzel, ACL's former President and a U.S. citizen and resident, authorized the payments to the agent while he knew or consciously disregarded the high probability that the agent would offer, provide or promise at least a portion of such payments to active EAF officials for the purpose of influencing such officials to obtain or retain business for UIC through ACL. As a result, ACL, which was headquartered in California at the time, was awarded a Contract Engineering Technical Services ("CETS") contract with gross revenues and net profit to ACL of approximately \$5.3 million and \$267,571, respectively. During this time, UIC lacked meaningful controls to prevent or detect the ACL President's authorization of illicit payments to the agent. The UIC legal department approved the retention of the agent despite a lack of documented due diligence and the failure of the agency agreement to comply with corporate policy. Moreover, a UIC official approved at least one payment to the agent, and the illicit payments to the agent were mischaracterized on UIC's books and records as legitimate business expenses.

Respondent

2. UIC, a Delaware corporation headquartered in Hunt Valley, Maryland, focuses on the design and production of defense, training, transportation and energy systems for the U.S. Department of Defense and domestic and international customers. At the time of the conduct described below, UIC's common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act, and was listed on the New York Stock Exchange.²

Other Relevant Persons/Entities

3. ACL Technologies, Inc. ("ACL") was an indirect, wholly owned subsidiary of UIC, and was formerly headquartered in Brea, California. ACL's parent corporation was AAI Corporation, a direct, wholly owned subsidiary of UIC. ACL developed, operated and maintained

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

² On December 18, 2007, UIC was acquired by an affiliate of Textron Inc. ("Textron"). Textron's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange. Following the acquisition, UIC filed a Form 15 Notice of Termination of Registration of its common stock under Exchange Act Section 12(g). UIC survives the acquisition as an indirect wholly owned subsidiary of Textron. All of the conduct described in Section III of this Order occurred prior to the acquisition of UIC by Textron.

stationary and mobile test equipment in support of hydraulics, pneumatics, electrical, mechanical and fuel requirements of commercial and military aircraft.

4. Thomas E. Wurzel, is a United States citizen and resides in Bend, Oregon. From 1992 to 2004, Wurzel served as the President of ACL and maintained an office in Brea, California. From at least 1995 forward, UIC held Wurzel out as a member of its senior management team.

Facts

A. Background

5. In October 1999, the U.S. Air Force awarded ACL a project to build a F-16 combat aircraft depot for EAF and to provide, operate and train Egyptian labor to use the associated testing equipment for the depot (the “Egyptian F-16 Depot Project”). ACL was awarded the Egyptian F-16 Depot Project as part of the U.S. Department of Defense’s foreign military sale (“FMS”) program. FMS contracts generally are purchases by foreign governments from the U.S. Government of weapons and other defense items, services and military training, which the U.S. Government fulfills by entering into contracts with private-sector defense contractors. Accordingly, as the purchaser and ultimate end-user for the F-16 depot facility that would be built, the EAF directed when, to what extent and how money would be spent on the project.³ Moreover, the EAF could select a particular contractor for a project it desired through its use of “sole source” requests. A sole source request would avoid the normal competitive bidding process and result in the award of a “no bid” contract to the beneficiary of the request.

6. In connection with the Egyptian F-16 Depot Project, the EAF submitted a “sole source” request for ACL’s services and in 1999 ACL was awarded the contract for the Project. The original 1999 award included initial funding to ACL of \$14 million under the primary contract for development of the F-16 depot (called the “integration” contract), with an estimated total contract value of \$28 million. In subsequent years, ACL was awarded “add-on” contracts and contract modifications that supplemented its revenues following ACL’s initial award of the integration contract. These additional revenues included supplemental funding for the integration contract of approximately \$29.6 million, a separate contract to build a surface treatment facility (or “STF” contract) valued at approximately \$2.7 million, and in April 2002, a new contract to help train Egyptian military personnel to operate the F-16 depot, known as CETS, ultimately valued at approximately \$5.3 million. In total, the Egyptian F-16 Depot Project, including the principal integration contract, the STF and CETS contracts, and other modifications and add-on contracts, generated approximately \$64 million in revenue and \$8.6 million in net profit for ACL from 1999 through 2004, representing over one-third of ACL’s total gross revenues over the same period.

³ Although the EAF was the customer for the Egyptian F-16 Depot Project, ACL did not enter into any formal arrangement directly with the EAF; rather, ACL’s contractual obligations for the Egyptian F-16 Depot Project were with the U.S. Air Force, which served as an intermediary on the Project and supervised logistical and procurement matters.

B. ACL Retains a Former EAF General as Consultant

7. By at least December 1996, Wurzel (“ACL’s President”) had enlisted the assistance of a foreign agent, a retired EAF General (the “EAF Agent”), to act as a consultant to ACL to help influence the EAF in moving the Egyptian F-16 Depot Project forward. By at least December 1997, ACL’s President also authorized monthly stipends of \$4,000 to the EAF Agent, although ACL did not maintain any due diligence files for the agent at that time and did not have a formal consulting contract with the agent until March 13, 1998 (at which time the agent’s monthly stipends were raised to \$20,000). As ACL’s President stated in 1997 correspondence to the EAF Agent, the purpose for hiring the agent was clear: “[ACL’s] objective, as before, is to convince the EAF to hire us as the integrating contractor” for the Project. As a former EAF General, the EAF Agent’s potential to influence the contracting process was heightened as, according to ACL’s Vice President and Program Manager for the Egyptian F-16 Depot Project, in Egypt, “it’s a very small community of high-level military people.” In addition, ACL’s President was aware that the EAF Agent had a personal relationship with at least one active EAF official.

8. Shortly after the Project’s initial October 1999 award, ACL’s President authorized the EAF Agent, through his company, to continue to act as ACL’s consultant for obtaining business. The EAF Agent’s role as the company’s Egyptian-based “consultant” was continued through a new consulting agreement with the agent in November 1999.⁴ That agreement essentially renewed the terms of the prior 1998 consulting contract, including paying the agent a monthly stipend of \$20,000 per month. Although ACL had already been awarded the initial integrating contract for the Egyptian F-16 Depot Project, this new agreement was geared towards helping solicit new or add-on business related to the Project. ACL’s President described this understanding of the continuing consulting relationship in an e-mail to the agent in February 2001: “We are certainly interested in paying for other new business if you can work it. . . . [T]he training effort needs some influence to make sure we are not excluded and the EAF needs to insist on our follow on support after the Depot is in place.”⁵

9. In April 2000, several months after the initial October 1999 award, ACL’s President also separately authorized the EAF Agent to act as a local labor subcontractor for ACL in connection with its work on the Egyptian F-16 Depot Project. In this role, the EAF Agent was brought under the umbrella of ACL’s principal contract with the U.S. Air Force, with the agent’s company receiving reimbursement from ACL for coordinating the retention of local labor for the Project. Beginning in the fall of 2000, ACL made periodic payments to the EAF Agent’s company for his provision of local labor on the larger Egyptian F-16 Depot Project. The EAF Agent submitted monthly invoices to ACL for these services and included in these invoices were the agent’s own expenses as “program manager” on the project with compensation varying between \$4,300 and \$11,100 per month. This compensation was separate from the consulting fees ACL

⁴ Around this time, UIC’s legal department first approved the retention of Kadry as ACL’s agent for the Egyptian Depot Project, despite knowing that ACL had already been using Kadry as its agent without prior approval, and despite also knowing that Kadry’s existing agency agreement did not conform to UIC’s policies prohibiting contingent arrangements on government contracts.

⁵ “Follow on support” refers to a contract modification to permit ACL’s continuing to assist the EAF with the new aircraft maintenance depot once the primary work constructing the depot was complete.

paid to the agent, which by August of 2000 had totaled over \$434,000. However, because ACL rolled the EAF Agent's subcontract labor expenses into ACL's submission to the U.S. Air Force for reimbursement of its aggregate material costs on the Egyptian F-16 Depot Project, ACL routinely was late in making payment to the EAF Agent's company under the labor subcontract.

10. By mid-2001 ACL had satisfied its remaining obligations under the consulting agreement executed with the EAF Agent in November 1999, and it was not renewed. However, as articulated in an e-mail from the EAF Agent in June 2001, ACL's President had promised "to continue paying us the consultant fee either through the service contract or any other way." As a result, from mid-2001 through 2002, the EAF Agent regularly contacted ACL's President to request a variety of payments, a portion of which related to reimbursement to the EAF Agent's company for the legitimate provision of local labor on the Project, and a portion of which were requests for additional funds in circumstances that strongly indicated they would be used to make illicit payments. ACL's President approved payments for additional funds, and he also knew that the EAF Agent charged ACL for his subcontract labor at a rate that enabled the agent to maintain a cushion between what he paid the project's local employees and what he received from ACL; this cushion was on top of the agent's own salary as "project manager" of the subcontract labor.

C. Illicit Payments Tied to CETS Contract

(i) Improper payments through cushion in the EAF Agent's invoices

11. During early 2001, ACL targeted a new contract, known as CETS, which was related to the Egyptian F-16 Depot Project. The CETS contract involved providing personnel for technical assistance on-site at Helwan Air Force Base in Cairo, Egypt, where the depot was being constructed, so that EAF personnel could get hands-on training to do testing and make repairs to their aircraft. The EAF Agent assisted ACL with obtaining this contract add-on, and in August 2001, ACL learned that the EAF had submitted to the U.S. Air Force its recommendation that ACL be awarded a "sole source" contract for the CETS project.

12. In December 2001, months before the CETS project would be officially awarded to ACL, the EAF Agent e-mailed ACL's President telling him that ACL could expect the formal award of CETS in the near future because the EAF Agent had "succeeded to make the [EAF] give all the pressure on the USAF to finalize the sole source" The EAF Agent then added, "[i]t is very important to start giving motivation that we discussed to give it before the year end. It was better to give it before the feast but we cant [sic] do this now." To help provide the "motivation," the EAF Agent requested an advance of funds separate and apart from payments due on his invoices under his local labor subcontract. Although no separate payments were made by ACL at the time, within a week, at the direction of ACL's President, ACL wired the EAF Agent approximately \$114,000 against invoices received from the agent for labor subcontract services.

13. In January 2002, the EAF Agent again emailed ACL's President requesting funds to cover due invoices, plus additional funds to "secure our team loyalty . . . as you have started to have some doubts about ou[r] commitment with them." When ACL had not forwarded any new money to the EAF Agent by late February 2002, the EAF Agent sent another more pressing e-mail to ACL's President: "Congratulations on the CETS contract. Thank[] God that our key persons

are still on their position till now. We are now in a very critical situation to really get the benefit out [sic] this contract. We should satisfy our people and really we can not do that from our resources as we used to do before.” The EAF Agent then asked for an “urgent response” from ACL’s President regarding a list of payment requests, including past due invoices for his labor subcontract work, a separate advance payment of \$300,000, a “CETS lump Sum Payment of 50% from our 8% fee from the contract value as agreed before,” and “[c]ontinuing a consultation monthly fee for the remaining 50%.” In March 2002, at the ACL’s President’s direction, ACL wired the EAF Agent amounts due on his past-due labor subcontract invoices, although it did not advance him monies for his separate funding requests outlined in his February e-mail.

14. On April 4, 2002, after having received payments from ACL on his past due invoices but not having received any additional monies, the EAF Agent e-mailed another payment request to ACL’s President. This time, the EAF Agent told ACL’s President that he was planning to use the additional money “to motivate people and secure our business specially (sic) the **CETS**.” (Emphasis in original). Making it clear that the agent was distinguishing between payments to him to “secure our business” and payments to him for his provision of subcontract labor, the EAF Agent added “[a]lso please bare [sic] in mind that the due invoices for domestic services reached US \$272,120” (referring to subcontract labor invoices submitted to ACL for February and March 2002). Later that day, and without questioning the EAF Agent’s stated purpose for the funds, ACL’s President responded that ACL would “advance” monies to the agent, but would offset the payment against pending labor subcontractor invoices for services provided by the EAF Agent; ACL paid the EAF Agent four days later.

15. On April 30, 2002, ACL received the official award of the CETS subcontract from the U.S. Air Force’s designated contractor Aeronautical Radio, Incorporated (“ARINC”), with an initial funding to ACL in the amount of \$500,000. Internal documents reflect that, around this time, ACL had estimated that the total potential contract revenues for the CETS program, if awarded, were approximately \$8 million.

(ii) *Improper \$100,000 “advance” payment to the EAF Agent*

16. On June 4, 2002, the EAF Agent again requested monies separate and apart from the regular payments ACL was making to him on his labor subcontract invoices. Noting the recent success regarding ACL’s receipt of sole source letters for the CETS project and a separate project for a surface treatment facility (known as the “STF” project), the EAF Agent added “our people should be awarded before the next PMR,⁶ [sic] it is very important to keep the pressure to get all the allocated budget of the US\$8M” (referring to the anticipated total value of the CETS contract). Apparently frustrated that ACL had offset its prior payments to him against the agent’s invoices for subcontract labor, the EAF Agent specifically requested that these new monies not be deducted from his labor invoices; rather, the EAF Agent requested that ACL send “at least US\$200,000

⁶ PMRs were two weeks of substantive meetings held every six months, one each in the United States and in Egypt every year, to discuss the progress, status and recommendations for pending or new projects related to the Egyptian F-16 Depot Project. PMRs typically were attended by representatives of the U.S. Air Force, the EAF, the U.S. Embassy and the Project’s principal contractors, including ACL, and presented the EAF with the opportunity to make its preferences for particular contracts, or particular contractors, known in-person to the U.S. Air Force. The next PMR was scheduled to take place in Sacramento, California in July 2002.

before the next PMR to fulfil [sic] the present commitment This will help keep[] the pressure to get all the CETS budget as well as the [surface treatment facility project] which is [in] the final phase.” ACL’s President responded in an e-mail by noting that ACL included \$40,000 per month for the EAF Agent’s services under the CETS contract which “will permit you to meet all your obligations.” Since the initiation of the CETS contract had been delayed, however, ACL’s President suggested that ACL could pay the EAF Agent an advance under the existing integration contract.

17. Two days later on June 6, 2002, the EAF Agent again emailed ACL’s President, this time requesting approximately \$200,000 in past due labor subcontract invoices and an additional \$100,000 advance payment; the EAF Agent added that “[t]his could help us fulfil [sic] the commitment” ACL’s President responded by instructing the EAF Agent to send ACL a \$100,000 invoice, and to type on the invoice, among other things, that “THIS INVOICE IS FOR ADVANCE PAYMENT OF RENTAL OF EQUIPMENT AND CONTRACTING OF MATERIAL AND SERVICES UNDER THE F-16 EAF DEPOT INTEGRATION CONTRACT” (capitalization in original). There is no indication in the correspondence between ACL’s President and the EAF Agent, or elsewhere, that there was any actual need for “rental equipment” or “advance” payments for other of the agent’s services given that he billed for his labor services in the ordinary course of business.

18. On June 10, 2002, bypassing typical protocol that required the EAF Agent to submit his labor subcontract invoices first to ACL’s on-site project manager for his review and approval, the EAF Agent e-mailed an invoice directly to ACL’s President using the language specified by ACL’s President. That day, ACL’s President affixed his signature to the invoice and authorized the \$100,000 advance payment to the agent. A UIC corporate official located at AAI’s headquarters’ in Maryland subsequently approved this payment without inquiring into the purpose or justification for the payment. Relying on the invoice drafted at the ACL President’s direction, ACL then inaccurately recorded the \$100,000 advance on its books as a bona fide “material” expense of the Egyptian F-16 Depot Project; instead, the \$100,000 advance was paid to the EAF Agent based on a concocted invoice, and for reasons that were neither transparent nor based on the provision of any identifiable legitimate services.

(iii) *Improper \$50,000 “marketing” payment to the EAF Agent*

19. In the Fall of 2002, the EAF Agent continued to press ACL’s President for additional payments that had no relation to his labor subcontract services, suggesting in an e-mail that the new monies were needed to meet “commitments” and to “keep the momentum.” This language was consistent with that in prior e-mails, which had suggested that the EAF Agent would use such monies to influence officials who could recommend the award of business to ACL. ACL’s President agreed to provide the agent with additional funds – this time through a purported “marketing contract.” By using this vehicle to provide the EAF Agent with funds, ACL’s President caused ACL to pay the EAF Agent from ACL’s funds outside those associated with the Egyptian F-16 Depot Project. In December 2002, the EAF Agent sent an invoice for \$50,000 to ACL for “[m]arketing service for the period from July 02 – December 02,” and ACL’s President, without further inquiry as to the nature of the services provided, authorized payment of the invoice.

ACL neither created nor executed any new marketing agreement with the EAF Agent that would cover this \$50,000 payment.

20. Between the fall of 2002 and 2004, ACL was awarded an additional five CETS funding contracts (or “modifications”) worth a total of \$4.7 million. Combined with ACL’s initial funding for the contract received in late April 2002, ACL received total gross revenue of approximately \$5.3 million, and net profits of \$267,571, for its work on the CETS contract.

D. Fraudulent “Repayment” of \$100,000 Advance

21. In January 2004, ACL’s President traveled to Egypt to visit the site of the Egyptian F-16 Depot Project. During this trip, ACL’s President attended a meeting with the EAF Agent, ACL’s Vice President and the company’s on-site project manager at the project manager’s apartment in Cairo. During this meeting, ACL’s President indicated that ACL would forgive the \$100,000 debt the EAF Agent owed the company as a result of the advance payment made to the Agent in June 2002. Rather than forgive the debt in a direct and transparent manner, ACL’s President approved a plan for the agent to submit false invoices to ACL to make it appear that the agent had repaid the \$100,000 advance. The scheme ACL’s President approved would have the agent “repay” the \$100,000 advance in ten equal installments by putting a \$10,000 credit on the EAF Agent’s labor subcontract invoices for a ten month period. To offset any real repayment of the debt, ACL’s President also approved the EAF Agent’s expenses to be inflated on each of the ten invoices at least by the amount of the \$10,000 credit.

22. In March 2004, the scheme was put into effect. At that time, ACL first received subcontract labor invoices from the EAF Agent covering the January 2004 service period, which reflected a \$10,000 credit for “Advance pay back.” The same January 2004 invoice showed that the agent’s aggregate cost for his subcontract labor had increased by slightly more than \$10,000 as compared to his aggregate labor cost for the same work for December 2003. The EAF Agent’s increase in labor costs, as shown by the invoices, was directly attributable to a categorical increase in the monthly salary rates for each type of labor provided to the Egyptian F-16 Depot Project (aggregating to slightly more than \$10,000). For the next nine months, through the October 2004 service period, the EAF Agent’s invoices reflected the monthly \$10,000 credit deducted from his total costs, until the debt was “repaid.” For seven of those nine months, until September 2004, the EAF Agent’s invoices also reflected the inflated labor rates. In September 2004, in response to a new initiative by the U.S. Air Force to contain ACL’s costs on the project, ACL required the EAF Agent’s rates to be reduced to approximately their 2003 levels.

E. Internal Controls Violations

23. During the relevant period, UIC lacked internal controls sufficient to detect or prevent improper payments such as those made by ACL to the EAF Agent. In fact, throughout the duration of the Egyptian F-16 Depot Project, ACL’s President was able to authorize large payments to the EAF Agent, including the improper \$100,000 advance payment to the agent in June 2002 and the \$50,000 “marketing services” payment later that year, without meaningful substantiation or supporting documents. In fact, from 1997 through 2002, ACL paid the EAF

Agent in total approximately \$564,000 for “consulting” or “marketing” services without meaningful records detailing the services being provided.

24. ACL’s President was able to approve payments to the EAF Agent as early as September 1997 in the absence of a written contract with the agent, which ACL’s President first executed with the agent in March 1998, and while maintaining no written record of having conducted any due diligence. Though UIC instituted policies in late 1999 requiring any employee wishing to engage the services of a foreign agent to submit due diligence forms for the agent to corporate counsel prior to retaining such agent, ACL did not submit such forms until 2002; even then, the due diligence forms were largely completed by the EAF Agent himself. In addition, though UIC’s regulatory compliance policy in place as early as 1997 required consulting contracts to include certain representations, including, but not limited to, that (a) the consultant was aware of the FCPA; (b) that UIC’s auditors and accountants would be granted access to the consultant’s books and records; and (c) that the consultant submit a signed statement of continuing FCPA compliance prior to each commission or other compensation payment to the consultants, it was not until 2003 that the EAF Agent operated under an agreement with ACL that contained any of these representations and, even then, the provision requiring open access to the consultant’s books and records still was not included.

25. UIC’s corporate legal department in 1999 approved ACL’s retention of the EAF Agent. Such approval was given even though the new agreement with the EAF Agent did not contain FCPA provisions required by corporate policy. Moreover, the legal department approved the agent despite learning that ACL had already been using the EAF Agent without prior approval and that the EAF Agent’s existing agency agreement did not conform to UIC’s existing policies prohibiting contingent arrangements on government contracts.

Legal Analysis

26. As described above, between late 2001 and 2002, ACL’s President authorized multiple illicit payments to the EAF Agent in connection with ACL’s efforts to receive new business related to the CETS project of the Egyptian F-16 Depot Project. In light of: (i) the EAF’s Agent’s multiple e-mails to ACL’s President during the relevant period, in which the agent requested monies from ACL while strongly indicating that such monies would be used, in whole or in part, to pay military officials who could influence the award of business to ACL; (ii) the ACL President’s authorization of payments to the EAF Agent in the face of such requests; (iii) the ACL President’s authorization of the creation of fraudulent invoices to conceal that, at his direction, the June 2002 \$100,000 advance to the agent had been forgiven; and (iv) the ACL President’s knowledge that, during the relevant period, ACL was seeking the award of the CETS business, ACL’s President knew, or consciously disregarded the high probability, that the EAF Agent would offer, provide or promise the payments he had authorized (or a portion thereof) to EAF officials for the purpose of influencing such officials to obtain or retain business for UIC through ACL. As a result, ACL was awarded the CETS contract and received ill gotten net profits associated with the CETS contract of \$267,571.

27. During the relevant period, ACL was an indirect, wholly owned subsidiary of UIC based in California. ACL’s President authorized and directed multiple illicit payments to the EAF

Agent to obtain or retain business for UIC. ACL's President was ACL's highest ranking officer and had a direct reporting line to the CEO of UIC (who also acted as the CEO of UIC's direct, wholly owned subsidiary and ACL's parent corporation, AAI Corporation). UIC, in its Forms 10-K and annual reports, routinely listed ACL's President as a member of UIC's "senior management." Additionally, as discussed above, UIC's corporate legal department approved the retention of the EAF Agent despite a lack of documented due diligence and despite an agency agreement that violated corporate policy. Moreover, a UIC corporate official approved the \$100,000 advance payment to the EAF Agent in June 2002.

28. As a result of the conduct described above, UIC violated Section 30A of the Exchange Act, which prohibits any issuer with a class of securities registered pursuant to Section 12 of the Exchange Act, in order to obtain or retain business, from giving, or authorizing the giving of, anything of value to any foreign official for purposes of influencing the official or inducing the official to act in violation of his or her lawful duties, or to secure any improper advantage; or to induce a foreign official to use his influence with a foreign government or foreign governmental instrumentality to influence any act or decision of such government or instrumentality.

29. As a result of the conduct described above, UIC violated Section 13(b)(2)(A) of the Exchange Act, which requires reporting companies to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect their transactions and disposition of their assets.

30. As a result of the conduct described above, UIC violated Section 13(b)(2)(B) of the Exchange Act, which requires all reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded in accordance with management's general or specific authorization; transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets; access to assets is permitted only in accordance with management's general or specific authorization; and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

UIC's Remedial Efforts

In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent UIC's offer.

Accordingly, it is hereby ORDERED that, pursuant to Section 21C of the Exchange Act:

A. Respondent UIC cease and desist from committing or causing any violations and any future violations of Sections 30A, 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

B. IT IS FURTHERED ORDERED that Respondent shall, within 10 days of the entry of this Order, pay disgorgement of \$267,571.00 and prejudgment interest of \$70,108.42 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies United Industrial Corporation as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Charles E. Cain, Division of Enforcement, Securities and Exchange Commission, 100 F St., N.E., Washington, D.C. 20549-5553.

By the Commission.

Elizabeth M. Murphy
Secretary