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United States of America

UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA  
SOUTHERN DIVISION

UNITED STATES OF AMERICA, ) SA CR NO. 09-162  
)  
Plaintiff, ) PLEA AGREEMENT  
)  
v. )  
)  
CONTROL COMPONENTS, INC., )  
)  
Defendant. )  
\_\_\_\_\_ )

The United States of America, by and through its attorneys, Assistant Chief Hank Bond Walther and Trial Attorney Andrew Gentin, United States Department of Justice, Criminal Division, Fraud Section, and Assistant United States Attorney for the Central District of California Douglas F. McCormick (collectively, the "Department"), and the Defendant, CONTROL COMPONENTS, INCORPORATED ("CCI" or "Defendant"), by and through its attorneys Patrick M. Norton and Brian M. Heberlig of Steptoe and Johnson LLP and David Esseks of Allen and Overy LLP, and pursuant to authority granted by the CCI Board of Directors, have entered into a plea agreement (the "Agreement"), pursuant to Rule 11(c)(1)(C) of the Federal Rules of Criminal Procedure, the terms and conditions of which are as follows:

#### **The Defendant's Agreement**

1. CCI agrees to waive indictment and plead guilty to a three-count criminal information filed in the Central District of California charging CCI with: (1) conspiracy to commit offenses against the United States, that is, to violate the anti-bribery provisions of the Foreign Corrupt Practices Act of 1977 ("FCPA"), as amended, 15 U.S.C. § 78dd-2, and the Travel Act, 18 U.S.C. § 1952, all in violation of 18 U.S.C. § 371 (Count One); and (2) two substantive violations of an anti-bribery provision of the FCPA, 15 U.S.C. § 78dd-2 (Counts Two and Three). Defendant further agrees to persist in that plea through sentencing and, as

set forth below, to fully cooperate with the Department in its investigation into all matters related to the conduct charged in the Information.

2. Defendant understands and agrees that this Agreement is between the Department and CCI, and does not bind any other division or section of the Department of Justice or any other federal, state, or local prosecuting, administrative, or regulatory authority. This Agreement does not apply to any other charges other than those specifically mentioned herein. However, the Department will bring this Agreement and the cooperation of CCI, its direct or indirect affiliates, subsidiaries, and parent corporations, to the attention of other prosecuting authorities or other agencies, if requested.

3. Defendant agrees that this Agreement will be executed by an authorized corporate representative. Defendant further agrees that a Resolution duly adopted by the CCI Board of Directors, in the form attached to this Agreement as Exhibit 3, or in a substantially similar form, represents that the signatures on this Agreement by CCI and its counsel are authorized by the CCI Board of Directors, on behalf of CCI.

4. Defendant agrees that it has the full legal right, power and authority to enter into and perform all of its obligations under this Agreement.

5. Defendant agrees to abide by all terms and obligations

of this Agreement as described herein, including but not limited to the following:

- a. To plead guilty as set forth in this Agreement;
- b. To abide by all sentencing stipulations contained in this Agreement;
- c. To appear, through its duly appointed representatives, as ordered for all court appearances, and obey any other ongoing court order in this matter;
- d. To commit no further crimes;
- e. To be truthful at all times with the Court;
- f. To pay the applicable fine and special assessment;
- g. To create and implement a Compliance Code which, at a minimum, contains all of the obligations and provisions described in the Compliance Code attached as Exhibit 2 hereto and incorporated herein; and
- h. To ensure that in the event CCI sells, merges or transfers all or substantially all of its business operations as they exist as of the date of this Agreement, whether such sale(s) is/are structured as a stock or asset sale, merger or transfer, CCI shall include in any contract for sale, merger, or transfer a provision fully binding the purchaser(s) or any successor(s) in interest thereto to the obligations described in this Agreement, including the obligations described in Exhibit 2 with respect to a Compliance Code.

6. CCI agrees to continue to cooperate fully with the Department and the Federal Bureau of Investigation, in a manner consistent with the non-waiver agreement between the parties, dated October 18, 2007, and consistent with applicable law and regulations including labor, data protection, and privacy laws. At the request of the Department, CCI shall also cooperate fully with foreign law enforcement authorities and agencies. CCI shall truthfully disclose to the Department all non-privileged information with respect to the activities of CCI and its affiliates, its present and former directors, officers, employees, agents, consultants, contractors and subcontractors, concerning all matters relating to corrupt payments to foreign public officials or to employees of private customers in connection with their operations about which CCI has any knowledge and about which the Department, the Federal Bureau of Investigation, or, at the request of the Department, any foreign law enforcement authorities and agencies, shall inquire. This obligation of truthful disclosure includes the obligation of CCI to provide to the Department, upon request, any non-privileged document, record, or other tangible evidence relating to such corrupt payments to foreign public officials or to employees of private customers about which the aforementioned authorities and agencies shall inquire of CCI, subject to the direction of the Department.

7. Defendant agrees that any fine or restitution imposed by the Court will be due and payable within ten (10) business days from the date of sentencing, and Defendant will not attempt to avoid or delay payments. Defendant further agrees to pay the Clerk of the Court for the United States District Court for the Central District of California, Santa Ana Division, the mandatory special assessment within ten (10) business days from the date of sentencing.

8. Defendant agrees that if the company, its parent corporation, or any of its direct or indirect affiliates or subsidiaries issues a press release in connection with this Agreement, Defendant shall first consult with the Department to determine whether (a) the text of the release is true and accurate with respect to matters between the Department and the Defendant; and (b) the Department has no objection to the release. Statements at any press conference concerning this matter shall be consistent with this press release.

#### **The United States' Agreement**

9. In exchange for the corporate guilty plea of CCI and the complete fulfillment of all of its obligations under this Agreement, the Department agrees not to file additional criminal charges against CCI relating to (i) any of the conduct described in the Statement of Facts attached as Exhibit 1, or (ii) information disclosed by CCI or its parent company IMI plc to the

Department prior to the date of this Agreement. This Agreement will not close or preclude the investigation or prosecution of any legal or natural persons, including any officers, directors, employees, agents or consultants of CCI, who may have been involved in any of the matters set forth in the Information, Statement of Facts or in any other matters. Finally, the Department agrees that it will file a Sentencing Memorandum in support of the proposed agreed-upon sentence that will include a description of (a) relevant facts, (b) the nature of the offenses, and (c) CCI's cooperation and compliance and remediation measures.

#### **Factual Basis**

10. Defendant is pleading guilty because it is guilty of the charges contained in the Information. Defendant admits, agrees and stipulates that the factual allegations set forth in the Statement of Facts attached as Exhibit 1 are true and correct, that it is responsible for the acts of its former officers and employees described in the Statement of Facts, and that the Statement of Facts accurately reflects CCI's criminal conduct.

#### **Waiver of Rights**

11. Federal Rule of Criminal Procedure 11(f) and Federal Rule of Evidence 410 limit the admissibility of statements made

in the course of plea proceedings or plea discussions in both civil and criminal proceedings, if the guilty plea is later withdrawn. Defendant expressly warrants that it has discussed these rules with its counsel and understands them. Solely to the extent set forth below, Defendant voluntarily waives and gives up the rights enumerated in Federal Rule of Criminal Procedure 11(f) and Federal Rule of Evidence 410. Specifically, Defendant understands and agrees that any statements that it makes in the course of its guilty plea or in connection with the Agreement are admissible against it for any purpose in any U.S. federal criminal proceeding if, even though the Department has fulfilled all of its obligations under this Agreement and the Court has imposed the agreed-upon sentence, Defendant nevertheless withdraws its guilty plea.

12. CCI knowingly, intelligently, and voluntarily waives its right to appeal the conviction in this case. CCI similarly knowingly, intelligently, and voluntarily waives the right to appeal the sentence imposed by the court, provided such sentence is consistent with the terms of this Agreement. In addition, CCI knowingly, intelligently, and voluntarily waives the right to bring any collateral challenge, including challenges pursuant to 28 U.S.C. § 2255, challenging either the conviction, or the sentence imposed in this case, except for a claim of ineffective assistance of counsel. CCI waives all defenses based on the



statute of limitations and venue with respect to any prosecution that is not time-barred on the date that this Agreement is signed in the event that: (a) the conviction is later vacated for any reason; (b) CCI violates this Agreement; or (c) the plea is later withdrawn. The Department is free to take any position on appeal or any other post-judgment matter.

### **Penalty Range**

13. The statutory maximum sentence that the Court can impose for a violation of Title 18, United States Code, Section 371, is a fine of \$500,000 or twice the gross pecuniary gain or gross pecuniary loss resulting from the offense, whichever is greatest, 18 U.S.C. § 3571; five years' probation, 18 U.S.C. § 3561; and a mandatory special assessment of \$400, 18 U.S.C.

§ 3013. The statutory maximum sentence that the Court can impose for each violation of Title 15, United States Code, Section 78dd-2, is a fine of \$2,000,000 or twice the gross pecuniary gain or gross pecuniary loss resulting from the offense, whichever is greatest, 15 U.S.C. § 78dd-2(g)(1)(A), 18 U.S.C. § 3571; five years' probation, 18 U.S.C. § 3561; and a mandatory special assessment of \$400, 18 U.S.C. § 3013. The statutory maximum sentences for multiple counts can be aggregated and may run consecutively.

14. Calculation of Fine. The parties stipulate that the 2007 United States Sentencing Guidelines Manual ("U.S.S.G.")

applies to this matter and to the factual predicates set forth below and that the following is the proper application of the sentencing guidelines to the offenses charged in the Information:

a. Calculation of Offense Level:

Base Offense Level (U.S.S.G. § 2C1.1(a)):	12
More than one bribe (U.S.S.G. § 2C1.1(b)(1)):	+2
Benefit received of more than \$20 million but less than \$50 million (U.S.S.G. §§ 2C1.1(b)(2)(a), 2B1.1(b)(1)(L)):	+22
<b>TOTAL OFFENSE LEVEL:</b>	<b>36</b>

b. Calculation of Culpability Score:

Base Score (U.S.S.G. § 8C2.5(a)):	5
Involvement in or tolerance of criminal activity in an organization of 200 or more employees and an individual within high level personnel of the organization participated in, condoned, or was willfully ignorant of the offense (U.S.S.G. § 8C2.5(b)(3)(A)):	+3
Self-reporting, cooperation, acceptance of responsibility (U.S.S.G. § 8C2.5(g)(1)):	<u>-5</u>
<b>TOTAL CULPABILITY SCORE:</b>	<b>3</b>

c. Calculation of Fine Range:

Base Fine: Greater of the amount from table in U.S.S.G. § 8C2.4(a)(1) & (d) corresponding to offense level of 36 (\$45,500,000), or the pecuniary gain to the organization from the offense (\$46,500,000) (U.S.S.G. § 8C2.4(a)(2)):	\$46,500,000
Multipliers (U.S.S.G. § 8C2.6):	0.6 - 1.2
Fine Range (U.S.S.G. § 8C2.7):	<b>\$27,900,000 - \$55,800,000</b>

d. The parties agree and stipulate that for purposes

of U.S.S.G. § 8C2.4, the benefit received by Defendant CCI from the conduct charged in the Information is \$46,500,000. The parties also agree that the offenses of conviction should be grouped together for purposes of sentencing pursuant to U.S.S.G. § 3D1.2.

### **Sentencing Factors**

15. The parties agree that pursuant to United States v. Booker, 543 U.S. 220 (2005), the Court must determine an advisory sentencing guideline range pursuant to the United States Sentencing Guidelines. The Court will then determine a reasonable sentence within the statutory range after considering the advisory sentencing guideline range and the factors listed in 18 U.S.C. § 3553(a). The parties' agreement herein to any guideline sentencing factors constitutes proof of those factors sufficient to satisfy the applicable burden of proof.

### **Sentencing Recommendation**

16. Fine and Assessment. Pursuant to Fed. R. Crim. P. 11(c)(1)(C), the Department and Defendant agree that the appropriate sentence in the case is a criminal fine in the amount of \$18,200,000 and a special assessment of \$1,200, after consideration of the following factors: (a) the appropriate consideration of the Sentencing Guidelines; (b) Defendant's recognition and affirmative acceptance of responsibility for its criminal conduct; (c) Defendant's voluntary disclosure of evidence obtained as a result of its extensive internal

investigation and its substantial cooperation in the Department's investigation and prosecution; (d) Defendant's substantial compliance and remediation efforts, including: (i) implementing and continuing to implement a compliance and ethics program designed to detect and prevent potential violations of the FCPA, U.S. commercial bribery laws and foreign bribery laws throughout its operations, (ii) terminating all CCI officers and employees primarily involved in the conduct outlined in the Statement of Facts and disciplining and training others who were under their supervision, (iii) reforming its dealings with agents paid by commission, including terminating relationships with numerous agents and conducting extensive due diligence and training for all remaining or new agents, and (iv) making substantial disclosures to its customers of the issues under investigation and engaging in extensive due diligence before accepting new business; and (e) appropriate consideration of the other factors set forth in 18 U.S.C. § 3553(a). Although the agreed-upon sentence represents a fine amount below the advisory sentencing guideline range, the parties agree and stipulate that the factors mentioned above represent mitigating circumstances "of a kind, or to a degree, not adequately taken into consideration by the United States Sentencing Commission." 18 U.S.C. § 3553(b)(1). The Parties agree that this \$18,200,000 fine and \$1,200 special assessment shall be paid to the Clerk of Court, United States

District Court for the Central District of California, Santa Ana Division, within ten (10) business days after sentencing.

Defendant acknowledges that no tax deduction may be sought in connection with the payment of this \$18,200,000 fine.

17. Court is Not Bound. Defendant understands that, if the Court rejects this Agreement, the Court must (a) inform the parties that the Court rejects the Agreement, (b) advise Defendant that the Court is not required to follow the Agreement and afford Defendant the opportunity to withdraw its plea, and (c) advise Defendant that if the plea is not withdrawn, the Court may dispose of the case less favorably toward Defendant than the Agreement contemplated. Defendant further understands that if the Court refuses to accept any provision of this Agreement, neither party shall be bound by the other provisions of the Agreement.

18. The parties agree not to seek any adjustments to, or departures from, the agreed upon payment of \$18,200,000 as set forth herein.

19. Organizational Probation. The parties agree that a three-year term of organizational probation is appropriate in this case and shall include, as a condition of probation, the retention of an independent corporate monitor as described in Exhibit 4, as well as any other conditions ordered by the Court. CCI agrees to create and implement a Compliance Code which, at a

minimum, contains all of the obligations and provisions described in Exhibit 2. The parties further agree that restitution is not required.

20. Corporate Monitor. CCI agrees to engage an independent corporate monitor ("the Monitor") within sixty (60) calendar days of signing this Agreement. Within thirty (30) calendar days after the signing of this Agreement, and after consultation with the Department, CCI will recommend to the Department a pool of three qualified Monitor candidates. The Monitor shall have, at a minimum, the following qualifications:

- a. demonstrated expertise with respect to the FCPA, including experience counseling on FCPA issues;
- b. experience designing and/or reviewing corporate compliance policies, procedures and internal controls, including FCPA-specific policies, procedures and internal controls;
- c. the ability to access and deploy resources as necessary to discharge the Monitor's duties as described in the Agreement; and
- d. sufficient independence from CCI to ensure effective and impartial performance of the Monitor's duties as described in this Agreement.

21. The Department retains the right, in its sole discretion, to accept or reject any Monitor proposed by CCI pursuant to the Agreement. In the event the Department rejects a

proposed Monitor, CCI shall propose another candidate within ten (10) calendar days after receiving notice of the rejection. This process shall continue until a Monitor acceptable to all parties is chosen. The Department may also propose the names of qualified Monitor candidates for consideration. The Term of the Monitorship, as set forth in Exhibit 4, shall commence upon the Department's acceptance of a Monitor candidate proposed by CCI.

22. The Monitor will be retained by CCI for a period of three (3) years, subject to certain conditions pursuant to which the Department may either reduce or extend the term. The Term of the Monitorship, including the circumstances which may support a reduction or extension of the term, as well as the Monitor's powers, duties and responsibilities will be as set forth in Exhibit 4, which is attached. CCI may not employ or be affiliated with the Monitor for a period of not less than one year from the date of the termination of the monitorship.

23. Community Service. The parties agree that community service need not be ordered in this case.

24. Forfeiture. The parties agree that forfeiture need not be ordered in this case.

25. Waiver of Pre-Sentence Report. The parties further agree, with the permission of the Court, to waive the requirement for a pre-sentence report pursuant to Federal Rule of Criminal Procedure 32(c)(1)(A), based on a finding by the Court that the

record contains information sufficient to enable the Court to meaningfully exercise its sentencing power. However, the parties agree that in the event the Court orders the preparation of a pre-sentence report prior to sentencing, such order will not affect the agreement set forth herein.

26. Entry of Guilty Plea and Sentencing. The parties further agree to ask the Court's permission to combine the entry of the plea and sentencing into one proceeding, and to conduct the plea and sentencing hearings of Defendant in one proceeding. However, the parties agree that in the event the Court orders that the entry of the guilty plea and sentencing hearing occur at separate proceedings, such an order will not affect the agreement set forth herein.

27. Full Disclosure/Reservation of Rights. In the event the Court directs the preparation of a pre-sentence report, the Department will fully inform the preparer of the pre-sentence report and the Court of the facts and law related to CCI's case. Except as set forth in this Agreement, the parties reserve all other rights to make sentencing recommendations and to respond to motions and arguments by the opposition.

#### **Breach of Agreement**

28. Defendant agrees that if it breaches this Agreement, commits any federal crimes subsequent to the date of this Agreement, or has provided or provides deliberately false,



incomplete, or misleading information under this Agreement, the Department may, in its sole discretion, characterize such conduct as a breach of this Agreement. In the event of such a breach, (a) the Department will be free from its obligations under the Agreement and may take whatever position it believes appropriate as to the sentence; (b) Defendant will not have the right to withdraw the guilty plea; (c) Defendant shall be fully subject to criminal prosecution for any other crimes which it has committed or might commit, if any, including perjury and obstruction of justice; and (d) the Department will be free to use against Defendant, directly and indirectly, in any criminal or civil proceeding any of the information or materials provided by Defendant pursuant to this Agreement, as well as the admitted Statement of Facts.

29. In the event of a breach of this Agreement by CCI, if the Department elects to pursue criminal charges, or any civil or administrative action that was not filed as a result of this Agreement, then:

a. CCI agrees that any applicable statute of limitations is tolled between the date of CCI's signing of this Agreement and the discovery by the Department of any breach by the Defendant; and

b. CCI gives up all defenses based on the statute of limitations, any claim of pre-indictment delay, or any speedy

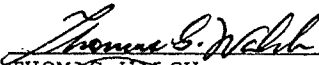
trial claim with respect to any such prosecution or action, except to the extent that such defenses existed as of the date of the signing of this Agreement.

**Complete Agreement**

30. This document states the full extent of the agreement between the parties. There are no other promises or agreements, express or implied. Any modification of this Agreement shall be valid only if set forth in writing in a supplemental or revised plea agreement signed by all parties.

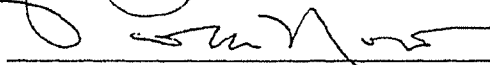
**AGREED:**

**FOR DEFENDANT CCI:**

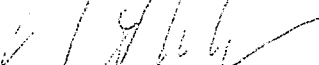
  
\_\_\_\_\_  
THOMAS WALSH  
General Counsel

7/21/09  
\_\_\_\_\_  
Date

**FOR CCI's COUNSEL:**

  
\_\_\_\_\_  
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Date

  
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New York, N.Y. 10020

7/20/09  
\_\_\_\_\_  
Date

Counsel for Defendant CCI

FOR THE DEPARTMENT OF JUSTICE:

FRAUD SECTION, CRIMINAL DIVISION  
U.S. DEPARTMENT OF JUSTICE

MARK F. MENDELSON  
Acting Chief

*Hank Bond Walther by Dfm*

HANK BOND WALTHER  
Assistant Chief

*July 22, 2009*

Date

ANDREW GENTIN  
Trial Attorney

UNITED STATES ATTORNEY'S OFFICE  
FOR THE CENTRAL DISTRICT OF CALIFORNIA

THOMAS P. O'BRIEN  
United States Attorney

*Douglas F. McCormick*

DOUGLAS F. McCORMICK  
Assistant United States Attorney

*July 22, 2009*

Date

**EXHIBIT 1**

**STATEMENT OF FACTS**

The following Statement of Facts is incorporated by reference as part of the Plea Agreement (the "Agreement") between the United States Department of Justice (the "Department") and Control Components, Inc. ("CCI"), and the parties hereby agree and stipulate that the following information is true and accurate. As set forth in Paragraph 11 of the Agreement, CCI admits, accepts, and acknowledges that it is responsible for the acts of its former officers and employees described below.

If this matter were to proceed to trial, the United States would prove beyond a reasonable doubt, by admissible evidence, the following:

**Control Components, Inc.**

1. At all times relevant to this matter, CCI was a Delaware corporation headquartered in Rancho Santa Margarita, California, that designed and manufactured control valves for use in the nuclear, oil and gas, and power generation industries worldwide. CCI was a wholly-owned subsidiary of IMI plc, a company organized under the laws of England and Wales. CCI sold its products to both state-owned and private companies in over thirty countries around the world. Because CCI was organized under the laws of a state of the United States and had its principal place of business in the United States, it was a

"domestic concern" as that term is defined in the Foreign Corrupt Practices Act ("FCPA"), Title 15, United States Code, Section 78dd-2.

CCI's Senior Management

2. Stuart Carson ("S. Carson") was the Chief Executive Officer ("CEO") of CCI from in or around 1989 through in or around 2005. S. Carson was the prime architect of CCI's friend-in-camp ("FIC") sales model, in which CCI employees and agents cultivated relationships with employees of state-owned and private customers. In many instances, CCI employees and agents made corrupt payments to the FICs for the purpose of obtaining and retaining business for CCI. From in or around January 2003 through in or around August 2005, S. Carson caused CCI employees and agents to make corrupt payments totaling approximately \$4.3 million to officers and employees of state-owned companies, and corrupt payments totaling approximately \$1.8 million to officers and employees of private companies.

3. Hong Carson, also known as "Rose Carson" ("R. Carson"), was CCI's Manager of Sales for China and Taiwan from in or around 1995 through in or around 2000 and then served as the Director of Sales for China and Taiwan from in or around 2000 through in or around 2007. R. Carson was the wife of S. Carson. From in or around 2003 through in or around 2007, R. Carson caused CCI employees and agents to make corrupt payments totaling

approximately \$1 million to officers and employees of state-owned companies, and corrupt payments totaling approximately \$43,000 to officers and employees of private companies.

4. Paul Cosgrove ("Cosgrove") was Executive Vice President of CCI from in or around 2002 through in or around 2007 and served as the Head of CCI's Worldwide Sales Department from in or around 1992 through in or around 2007. Cosgrove was the second highest ranking executive at CCI and was responsible for approving many of the corrupt payments made by employees and agents of CCI to officers and employees of state-owned and private companies. From in or around 2003 through in or around 2007, Cosgrove caused CCI employees and agents to make corrupt payments totaling approximately \$1.9 million to officers and employees of state-owned companies, and corrupt payments totaling approximately \$300,000 to officers and employees of private companies.

5. David Edmonds ("Edmonds") was the Vice-President of Worldwide Customer Service at CCI from in or around 2000 through in or around 2007. In this capacity, Edmonds oversaw CCI's replacement parts sales and the servicing of existing valves. From in or around 2003 through in or around 2007, Edmonds caused CCI employees and agents to make corrupt payments totaling approximately \$430,000 to officers and employees of state-owned companies, and corrupt payments totaling approximately \$220,000

to officers and employees of private companies.

6. Flavio Ricotti ("Ricotti") served as CCI's Vice-President and Head of Sales for Europe, Africa, and the Middle East from in or around 2001 through in or around 2007. From in or around 2003 through in or around 2007, Ricotti caused CCI employees and agents to make corrupt payments totaling approximately \$750,000 to officers and employees of state-owned companies, and corrupt payments totaling approximately \$380,000 to officers and employees of private companies.

7. Han Yong Kim ("Kim") was the President of CCI-Korea from in or around 1997 through in or around 2005. From in or around 2005 through in or around 2007, Kim served as a consultant to CCI-Korea. From in or around 2003 through in or around 2007, Kim caused CCI employees and agents to make corrupt payments totaling approximately \$200,000 to officers and employees of state-owned companies, and corrupt payments totaling approximately \$350,000 to officers and employees of private companies.

8. Richard Morlok ("Morlok") was CCI's Finance Director from in or around 2002 through in or around 2007. In this capacity, Morlok oversaw the Finance Department and had the duties of a Chief Financial Officer. From in or around 2003 through in or around 2006, Morlok caused CCI employees and agents to make corrupt payments totaling approximately \$628,000 to

officers and employees of state-owned companies.

9. Mario Covino ("Covino") was CCI's Director of Worldwide Factory Sales from in or around March 2003 through in or around 2007. In this capacity, he was responsible for overseeing CCI's new construction projects and the replacement of existing valves made by other companies and installed at CCI's customer's plants. From in or around 2003 through in or around 2007, Covino caused CCI employees and agents to make corrupt payments totaling approximately \$1 million to officers and employees of state-owned companies.

10. CCI's state-owned customers included, but were not limited to, Jiangsu Nuclear Power Corporation (China), Guohua Electric Power (China), China Petroleum Materials and Equipment Corporation, PetroChina, Dongfang Electric Corporation (China), China National Offshore Oil Company, Korea Hydro and Nuclear Power, Petronas (Malaysia), and National Petroleum Construction Company (United Arab Emirates). Each of these state-owned entities was a department, agency, or instrumentality of a foreign government, within the meaning of the FCPA, Title 15, United States Code, Section 78dd-2(h)(2)(A). The officers and employees of these entities, including but not limited to the Vice-Presidents, Engineering Managers, General Managers, Procurement Managers, and Purchasing Officers, were "foreign officials" within the meaning of the FCPA, Title 15, United



States Code, Section 78dd-2(h) (2) (A) .

**Summary of Violations**

11. Beginning in or around 1998 and continuing through in or around August 2007, CCI, through its former officers and employees S. Carson, R. Carson, Cosgrove, Edmonds, Ricotti, Kim, Morlok, Covino, and others, made corrupt payments to numerous officers and employees of state-owned and privately-owned customers around the world for the purpose of assisting in obtaining or retaining business for CCI. From in or around 2003 through in or around 2007, CCI made approximately \$4.9 million in corrupt payments to officers and employees of state-owned customers and derived approximately \$31.7 million in net profits from sales related to those payments. From in or around 2003 through in or around 2007, CCI made approximately \$1.95 million in corrupt payments to officers and employees of privately-owned customers and derived approximately \$14.82 million in net profits from sales related to those payments. In total, from in or around 2003 through in or around 2007, CCI made approximately 236 corrupt payments to officers and employees of state-owned and private companies in thirty-six countries totaling approximately \$6.85 million and earned approximately \$46.5 million in net profits from the sales related to those corrupt payments.

**CCI's Use of Bribes to Obtain and Retain Business**

12. During S. Carson's tenure as the CEO of CCI, CCI

executives S. Carson, R. Carson, Cosgrove, Edmonds and others instituted a sales approach at CCI that encouraged CCI salespeople to cultivate FICs, who were typically employees of CCI's state-owned and private customers who had the authority either to award contracts to CCI or to influence the technical specifications of an order in a manner that would favor CCI. Beginning in or around 1998 and continuing through in or around 2007, CCI executives and employees caused payments to be made to FICs to obtain and retain business. CCI personnel sometimes referred to these corrupt payments as "flowers." Such payments were approved, and in some cases personally made and negotiated, by CCI senior executives.

13. In some instances, CCI employees made corrupt payments directly to employees of customers. In other instances, CCI employees made corrupt payments through CCI's representatives by inflating the fee paid by CCI to the representative by the amount of the corrupt payment. In other instances, CCI used a "consultant" as a pass-through for corrupt payments. These consultants would perform few, if any, legitimate services for CCI and were often owned either by the recipient of the corrupt payment or a friend or relative of the recipient.

14. S. Carson, R. Carson, Cosgrove, Edmonds, Ricotti, Kim, Morlok, Covino and others caused CCI to make payments to FICs at numerous state-owned entities in order to assist in obtaining or

retaining business including, but not limited to, Jiangsu Nuclear Power Corporation (China), Guohua Electric Power (China), China Petroleum Materials and Equipment Corporation, PetroChina, Dongfang Electric Corporation (China), China National Offshore Oil Company, Korea Hydro and Nuclear Power, Petronas (Malaysia), and National Petroleum Construction Company (United Arab Emirates).

15. S. Carson, R. Carson, Cosgrove, Edmonds, Ricotti, Kim, Morlok, Covino and others caused CCI to make corrupt payments to FICs at numerous private companies in order to assist in obtaining or retaining business.

16. S. Carson, R. Carson, Cosgrove, Edmonds, Ricotti and Covino also participated in and arranged for the purchase of overseas holidays to places such as Disneyland and Las Vegas for officers and employees of state-owned and private customers under the guise of training or inspection trips. The actual purposes of the trips were to reward the customers' officers and employees for causing their employers to purchase CCI products, retain current business for CCI, or obtain new business for CCI.

17. S. Carson and R. Carson arranged for the purchase of numerous extravagant vacations for themselves and executives of both state-owned and private customers for the purpose of assisting in obtaining and retaining business and charged all expenses, including those of the customers, to CCI. Such

expenses included first-class airfare to destinations such as Hawaii, five-star hotel accommodations, charter boat trips, and similar luxuries. S. Carson and R. Carson also caused CCI to pay the college tuition of the children of at least two executives at CCI's customers for the purpose of obtaining and retaining business.

18. CCI frequently held lavish sales events to entertain current or potential state-owned and private customers for the purpose of assisting in obtaining and retaining business. CCI paid for a large portion of the travel expenses, hotel costs, meals, and greens fees for golf. CCI senior management, including R. Carson and S. Carson, also frequently gave expensive gifts to employees of state-owned and private customers for the same purpose.

#### The Audit and Internal Investigation

19. In or around August 2004, CCI's parent company, IMI plc, conducted an internal audit of CCI's commission payments. S. Carson attempted to prevent the internal audit and told the visiting auditors that they were not welcome at CCI's headquarters in California and that they should go back to the United Kingdom.

20. After learning that the August 2004 audit would proceed, Cosgrove instructed CCI employees to withhold information from the auditors.

21. In or around August 2004, R. Carson, Edmonds, Kim, Covino, and Morlok provided false information to the internal auditors in connection with this audit of commission payments, denied that corrupt payments had been made, and provided false and misleading responses to the auditors.

22. In or around August 2004, Edmonds caused the creation of false invoices in an attempt to demonstrate to the internal auditors that certain commission payments made to CCI's customers were legitimate.

23. Following the internal audit, Cosgrove, Edmonds, Ricotti, Covino, and Morlok continued to encourage and approve corrupt payments, but instructed employees not to use terms such as "FIC," "flowers," or "special arrangement" in emails.

24. In or around August 2007, R. Carson, Cosgrove, Edmonds, Ricotti, and Covino provided false and misleading information to attorneys hired by CCI to perform an internal investigation into CCI's commission payments, and falsely denied that corrupt payments had been made.

25. In or around August 2007, R. Carson destroyed documents relevant to CCI's internal investigation into CCI's commission payments by, among other things, taking such documents to the CCI ladies' room, tearing up the documents, and flushing them down the toilet.

Corrupt Dealings with China National Offshore Oil Company  
("CNOOC") Officials

26. On or about December 30, 2003, a CCI salesperson in China sent an email to R. Carson proposing that a corrupt payment be made to an employee of CNOOC, a state-owned entity in China, in connection with the Chunxiao Gas Complex Development. The email stated that "the customer agreed to marked up the price to \$250,000, and required \$65,000 feedback beside the 2% of the commission. . . . Therefore the total commission is \$68,700. The distribution of this commission as following: \$3700 as consultant fee to the Design Institute; \$65,000 as commission to the enduser."

27. On or about April 14, 2004, Cosgrove sent an email regarding this same Chunxiao Gas Complex Development project to S. Carson stating that "Rose says we need to take this for future opportunities I need your approval."

28. On or about April 15, 2004, S. Carson approved the payment of the "commission" from CCI to an official of CNOOC for the purpose of assisting in obtaining and retaining CNOOC's business in connection with the Chunxiao Gas Complex Development in China, stating in an email that "It is my understanding that this job has been delayed by us for 3 months. I authorize engineering procurement and manufacturing to begin. I make this authorization based on my agreement that Rose will reduce commissions payable and clean up the T&C's on this job. . . ."

29. On or about April 16, 2004, R. Carson's assistant sent an email to S. Carson, Cosgrove, Morlok and others stating "Hereinafter is the message from Rose: The commission included in the contract price is actually what the customer added on our quotation which won't influence our margin. . . . [CCI salesperson in China] - Rose instructed you to explain the details regarding commission to all the gentlemen on the above email list."

30. On or about April 18, 2004 -- which was April 17, 2004, in the United States -- the CCI salesperson in China explained the arrangement to S. Carson, R. Carson, Morlok, and Cosgrove by email: "Our final decision price is \$185k and including 2% commission. Customer marked up to \$250k as final contract price and required the balance feedback as commission, therefore the total commission is \$68.7k."

31. On or about April 17, 2004, S. Carson forwarded the above email to R. Carson and others asking: "What is estimated profit at \$185k?"

32. On or about January 14, 2005, S. Carson, R. Carson, Cosgrove, and Morlok caused CCI to wire a commission payment of approximately \$58,500 from its Wells Fargo bank account in California to a bank account at Hang Seng Bank in China for the purpose of making a corrupt payment to a CNOOC official in connection with the Chunxiao Gas Complex Development in China.

33. As a result of the approximately \$58,500 corrupt payment made by CCI to a CNOOC official, CCI earned approximately \$142,975 in net profits from the Chunxiao Gas Complex Development project.

Corrupt Dealings with Korea Hydro and Nuclear Power ("KHNP") Officials

34. On or about November 1, 2003, S. Carson sent an email to Kim discussing new orders being placed by KHNP and wrote: "Please try very hard to find a Friend in Camp for us on Shin Kori/Wolsong. Use your contacts, [President of CCI's representative in China], [CCI employee], anybodies, but get us a FIC who can help us win this order. I'm will to pay big money for a FIC/Consultant [sic]."

35. On or about November 4, 2003, Kim wrote a return email to S. Carson stating "The biggest problem is not the volume of flower or how close we are with those guys. The problem is the overall climate of KHNP and Korean society. The former president of KHNP, Mr. [foreign official] who is a good friends of CCI, was fired because he helped some vendors. Everybody is talking that he must go to jail. . . . We need a strong guy who can take the risk but there is no one nowadays. . . . The possibility is not so high but [President of CCI's representative in Korea] and I am still trying very hard to get the consultant."

36. On or about April 21, 2004, Morlok, Edmonds, and Kim caused CCI to wire a payment of approximately \$57,658 from CCI's



Wells Fargo bank account in California to a CCI-Korea account at Industrial Bank in Korea as a purported "bonus" for a CCI-Korea employee, knowing that the money would actually be used to make a corrupt payment to a KHNP official related to the Wolsong and YGN projects.

37. On or about April 29, 2004, in order to conceal the corrupt payment made to the KHNP official, Edmonds, Kim, and Morlok caused CCI to wire approximately \$17,000 to the CCI-Korea employee so that he could pay taxes on the purported "bonus" that he never actually received. This money was invoiced as an "employee welfare reimbursement."

38. In or around August 2004, after being questioned about the KHNP payments in connection with the 2004 internal audit, Edmonds caused the creation of two false invoices totaling \$57,173 to cover up the corrupt payments to the KHNP official related to the Wolsong and YNG projects in Korea.

39. As a result of the approximately \$57,173 in corrupt payments made by CCI to the KHNP official in connection with the Wolsong and YGN projects, CCI earned approximately \$503,000 in net profits.

#### Conclusion

40. Based upon the facts set forth above, CCI admits that it is a "domestic concern" within the meaning of the Foreign Corrupt Practices Act, 15 U.S.C. § 78dd-2(h)(1)(B) and that its

officers, employees and agents made use of and caused the use of the mails and means and instrumentalities of interstate commerce corruptly in furtherance of offers, payments, promises to pay, and the authorization of the payment of money while knowing that all or a portion of the money would be given, directly or indirectly, to foreign government officials for the purpose of influencing acts and decisions of such foreign officials in their official capacities, inducing such foreign officials to do or omit to do any act in violation of the lawful duty of such officials, and securing an improper advantage for CCI, in order to assist CCI in obtaining and retaining business.

**AGREED:****FOR DEFENDANT CCI:**

\_\_\_\_\_  
THOMAS WALSH  
General Counsel

\_\_\_\_\_  
Date

**FOR CCI'S COUNSEL:**

\_\_\_\_\_  
PATRICK M. NORTON, ESQ.  
BRIAN M. HEBERLIG, ESQ.  
Steptoe & Johnson LLP  
Washington, DC 20036

\_\_\_\_\_  
Date

\_\_\_\_\_  
DAVID ESSEKS, ESQ.  
Allen & Overy LLP  
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\_\_\_\_\_  
Date

Counsel for Defendant CCI

officers, employees and agents made use of and caused the use of the mails and means and instrumentalities of interstate commerce corruptly in furtherance of offers, payments, promises to pay, and the authorization of the payment of money while knowing that all or a portion of the money would be given, directly or indirectly, to foreign government officials for the purpose of influencing acts and decisions of such foreign officials in their official capacities, inducing such foreign officials to do or omit to do any act in violation of the lawful duty of such officials, and securing an improper advantage for CCI, in order to assist CCI in obtaining and retaining business.

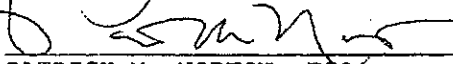
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**FOR DEFENDANT CCI:**

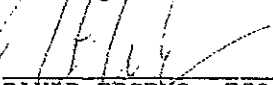
  
\_\_\_\_\_  
THOMAS WALSH  
General Counsel

7/21/09  
\_\_\_\_\_  
Date

**FOR CCI's COUNSEL:**

  
\_\_\_\_\_  
PATRICK M. NORTON, ESQ.  
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Date

  
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New York, N.Y. 10020

7/23/09  
\_\_\_\_\_  
Date

Counsel for Defendant CCI

FOR THE DEPARTMENT OF JUSTICE:

FRAUD SECTION, CRIMINAL DIVISION  
U.S. DEPARTMENT OF JUSTICE

MARK F. MENDELSON  
Acting Chief

*Hank Walther by DFN*

HANK BOND WALTHER  
Assistant Chief

*July 22, 2009*

Date

ANDREW GENTIN  
Trial Attorney

UNITED STATES ATTORNEY'S OFFICE  
FOR THE CENTRAL DISTRICT OF CALIFORNIA

THOMAS P. O'BRIEN  
United States Attorney

*Tom O'Brien*

DOUGLAS F. McCORMICK  
Assistant United States Attorney

*July 22, 2009*

Date

## EXHIBIT 2

### COMPLIANCE CODE

Defendant CCI represents and agrees, as a term and condition of the Plea Agreement, that it will, at a minimum, adopt an anti-corruption compliance code ("Compliance Code"), as described further below, that is designed to detect and deter violations of the FCPA, commercial bribery laws and other applicable foreign bribery laws (collectively the "anti-corruption laws"). The anti-bribery Compliance Code applicable to CCI will consist of the following elements, at a minimum:

1. A clearly articulated corporate policy against violations of the anti-corruption laws;
2. Promulgation of compliance standards and procedures designed to reduce the prospect of violations of the anti-corruption laws and CCI's Compliance Code. These standards and procedures shall apply to all directors, officers and employees and, where necessary and appropriate, outside parties acting on behalf of CCI in foreign jurisdictions, including agents, consultants, representatives, distributors, teaming partners and joint venture partners (collectively "agents and business partners");
3. The assignment of responsibility to one or more senior corporate officials of CCI for the implementation and oversight of compliance with policies, standards and procedures regarding the anti-corruption laws. Such corporate official(s)

shall have the authority to report matters directly to CCI's Board of Directors or any appropriate committee of the Board of Directors;

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

5. An effective system for reporting suspected criminal conduct and/or violations of the compliance policies, standards and procedures regarding the anti-corruption laws for directors, officers, employees, and, as necessary and appropriate, agents and business partners;

6. Appropriate disciplinary procedures to address, among other things, violations of the anti-corruption laws and CCI's Compliance Code by directors, officers and employees;

7. Appropriate due diligence requirements pertaining to the retention and oversight of agents and business partners;

8. Standard provisions in agreements, contracts, and renewals thereof with all agents and business partners that are designed to prevent violations of the anti-corruption laws, which provisions may, depending on 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; and

9. Periodic testing of the Compliance Code, standards and procedures designed to evaluate their effectiveness in detecting and reducing violations of the anti-corruption laws and CCI's Compliance Code.

**EXHIBIT 3**

**CERTIFICATE OF CORPORATE RESOLUTIONS**

I, Thomas Walsh, do hereby certify that I am the General Counsel of Control Components, Inc. ("CCI" or "the company"), a Delaware corporation, and that the following is a true, correct and accurate copy of resolutions adopted by the Board of Directors of CCI by unanimous written consent on July 21, 2009:

WHEREAS, CCI has been engaged in discussions with the United States Department of Justice in connection with issues arising in relation to certain corrupt payments to foreign officials and employees of private companies to facilitate the award of contracts and obtaining of business for CCI; and

WHEREAS, in order to resolve such discussions, it is proposed that the company enter into a certain agreement with the United States Department of Justice; and

WHEREAS, the company's General Counsel, together with investigative and outside counsel for the company, have advised the Board of Directors of the company's rights, possible defenses, the Organizational Sentencing Guidelines' provisions, and the consequences of entering into such agreement with the United States Department of Justice;

Therefore, this Board hereby RESOLVES that:

1. The company (i) consents to the filing in the United States District Court for the Central District of California, Santa Ana Division, of a three-count Information charging CCI with conspiracy to commit offenses against the United States, in violation of 18 U.S.C. § 371, specifically, an anti-bribery provision of the Foreign Corrupt Practices Act of 1977 ("FCPA"), 15 U.S.C. § 78dd-1, et seq., and the Travel Act, 18 U.S.C. § 1952 (Count One); and two substantive counts of violating an anti-bribery provision of the FCPA, in violation of 15 U.S.C. § 78dd-2 (Counts Two and Three), relating to its officers and employees making corrupt payments of money to certain foreign officials and employees of private companies in order to cause the award to CCI of certain contracts; (ii) agrees to waive indictment on such charges and enter into a Plea Agreement with the United States Department of Justice; (iii) agrees to enter a plea of guilty as to all charges in the Information; and (iv) further agrees to accept a criminal fine against CCI of \$18,200,000 and to pay \$18,200,000 to the United States with respect to the conduct described in the Information.

2. The General Counsel, or his delegate, is hereby



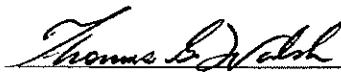
authorized, empowered and directed, on behalf of the company, to execute the Plea Agreement and the Statement of Facts attached as Exhibit 1 to the Plea Agreement substantially in such form as reviewed by this Board of Directors with such changes as the General Counsel, or his delegate, may approve;

3. The General Counsel, or his delegate, is hereby authorized, empowered and directed to take any and all actions as may be necessary or appropriate, and to approve the forms, terms or provisions of any agreement or other documents as may be necessary or appropriate to carry out and effectuate the purpose and intent of the foregoing resolutions; and

4. All of the actions of the General Counsel, which actions would have been authorized by the foregoing resolutions except that such actions were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved and adopted as actions on behalf of the company.

I further certify that the foregoing resolutions have not been altered, modified, revoked or rescinded, and that the same remain in full force and effect on the date hereof.

IN WITNESS HEREOF, I have executed this document on July 21, 2009.



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THOMAS WALSH  
General Counsel  
Control Components, Inc.

## EXHIBIT 4

### CORPORATE COMPLIANCE MONITOR

The duties and authority of the Corporate Compliance Monitor (the "Monitor"), and the obligations of Control Components, Inc. ("CCI")<sup>1</sup> with respect to the Monitor and the Department, are as described below:

1. CCI shall retain the Monitor for a period of three (3) years, subject to certain conditions specified below which would, in the sole discretion of the Department, allow for a reduction or extension of the term (the "Term of the Monitorship").

2. The Monitor's primary responsibility is to assess and monitor CCI's compliance with the terms of this Agreement so as to specifically address and reduce the risk of any recurrence of CCI's misconduct. During the Term of the Monitorship, the Monitor will evaluate, in the manner set forth in paragraphs 3 through 10 below, the effectiveness and implementation of the corporate compliance program, internal controls and financial

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<sup>1</sup> All references to "CCI" include all affiliated entities organized in other jurisdictions that sell service valves under the CCI trademark. These affiliated entities include, but are not limited to, CCI AG, a Swiss corporation; CCI Valve Technology AB, a Swedish corporation; CCI Valve Technology AG, an Austrian corporation; CCI KK, a Japanese corporation; CCI Limited, a Korean corporation; Control Components India Pty Ltd., an Indian corporation; and CCI (Shanghai) Co. Ltd., a Chinese corporation.

reporting policies and procedures of CCI as they relate to CCI's current and ongoing compliance with the anti-bribery provisions of the FCPA and other anti-corruption laws applicable to CCI (collectively, the "anti-corruption laws") and take such reasonable steps as, in his or her view, may be necessary to fulfill the foregoing mandate (the "Mandate").

3. CCI shall cooperate fully with the Monitor, and the Monitor shall have the authority to take such reasonable steps as, in his view, may be necessary to be fully informed about CCI's compliance program within the scope of the Mandate in accordance with the principles set forth herein and applicable law, including data protection and labor laws and regulations applicable to CCI. To that end, CCI shall: (a) provide the Monitor access to CCI's documents and resources; (b) not limit such access, except as provided in this paragraph; and (c) provide guidance on applicable laws (such as relevant data protection and labor laws). CCI shall provide the Monitor with access to all information, documents, records, facilities and/or employees, as requested by the Monitor, that fall within the scope of the Mandate of the Monitor under this Agreement. Any disclosure by CCI to the Monitor concerning corrupt payments shall not relieve CCI of any otherwise applicable obligation to truthfully disclose such matters to the Department.

a. The parties agree that no attorney-client relationship shall be formed between CCI and the Monitor.

b. In the event that CCI seeks to withhold from the Monitor access to information, documents, records, facilities and/or employees of CCI which may be subject to a claim of attorney-client privilege or to the attorney work-product doctrine, or where CCI reasonably believes production would otherwise be inconsistent with applicable law, CCI shall work cooperatively with the Monitor to resolve the matter to the satisfaction of the Monitor. If the matter cannot be resolved, at the request of the Monitor, CCI shall promptly provide written notice to the Monitor and the Department. Such notice shall include a general description of the nature of the information, documents, records, facilities and/or employees that are being withheld, as well as the basis for the claim. The Department may then consider whether to make a further request for access to such information, documents, records, facilities and/or employees. To the extent CCI has provided information to the Department in the course of the investigation leading to this action pursuant to a non-waiver of privilege agreement, CCI and the Monitor may agree to production of such information to the Monitor pursuant to a similar non-waiver agreement.

4. To carry out the Mandate during the Term of the Monitorship, the Monitor shall conduct an initial review and prepare an initial report, followed by up to two (2) follow-up reviews and reports as described below. With respect to each review, after consultation with CCI and the Department, the Monitor shall prepare a written work plan, which shall be submitted no fewer than sixty (60) calendar days prior to commencing each review to CCI and the Department for comment, which comment shall be provided no more than thirty (30) calendar days after receipt of the written work plan. The Monitor's work plan for the initial review shall include such steps as are reasonably necessary to conduct an effective initial review in accordance with the Mandate, including developing an understanding, to the extent the Monitor deems appropriate, of the facts and circumstances surrounding any violations that may have occurred before the date of acceptance of this Agreement by the Court. In developing such understanding, the Monitor is to rely to the extent possible on available information and documents provided by CCI, and it is not intended that the Monitor will conduct his own inquiry into those historical events. In developing each work plan and in carrying out the reviews pursuant to such plans, the Monitor is encouraged to coordinate with CCI personnel, including auditors and compliance personnel, and, to the extent the Monitor deems

appropriate, he or she may rely on CCI processes, on the results of studies, reviews, audits and analyses conducted by or on behalf of CCI and on sampling and testing methodologies. Any disputes between CCI and the Monitor with respect to the work plan shall be decided by the Department in its sole discretion.

5. The initial review shall commence no later than one hundred twenty (120) calendar days from the date of the engagement of the Monitor (unless otherwise agreed by CCI, the Monitor and the Department), and the Monitor shall issue a written report within one hundred twenty (120) calendar days of initiating the initial review, setting forth the Monitor's assessment and making recommendations reasonably designed to improve the effectiveness of CCI's program for ensuring compliance with the anti-corruption laws. The Monitor is encouraged to consult with CCI concerning his other findings and recommendations on an ongoing basis, and to consider and reflect CCI's comments and input to the extent the Monitor deems appropriate. The Monitor need not in its initial or subsequent reports recite or describe comprehensively CCI's history or compliance policies, procedures and practices, but rather may focus on those areas with respect to which the Monitor wishes to make recommendations for improvement or which the Monitor otherwise concludes merit particular attention. The Monitor shall provide the report to the Board of Directors of CCI and

contemporaneously transmit copies to Mark F. Mendelsohn (or his successor), Deputy Chief, Fraud Section, Criminal Division, U.S. Department of Justice, 10th and Constitution Ave., N.W., Bond Building, Fourth Floor, Washington, DC 20530. After consultation with CCI, the Monitor may extend the time period for issuance of the report for up to sixty (60) calendar days with prior written approval of the Department.

6. Within one hundred and twenty (120) calendar days after receiving the Monitor's report, CCI shall adopt all recommendations in the report; provided, however, that within sixty (60) calendar days after receiving the report, CCI shall notify the Monitor and the Department in writing of any recommendations that CCI considers unduly burdensome, inconsistent with local or other applicable law or regulation, impractical, unduly costly or otherwise inadvisable. With respect to any recommendation that CCI considers unduly burdensome, inconsistent with local or other applicable law or regulation, impractical, unduly costly or otherwise inadvisable, CCI need not adopt that recommendation within that time but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose. As to any recommendation on which CCI and the Monitor do not agree, such parties shall attempt in good faith to reach an agreement within forty-five (45) calendar days after CCI serves the

written notice. In the event CCI and the Monitor are unable to agree on an acceptable alternative proposal, CCI shall promptly consult with the Department. Any disputes between CCI, on the one hand, and the Monitor, on the other hand, with respect to the recommendations shall be decided by the Department in its sole discretion. The Department may consider the Monitor's recommendation and CCI's reasons for not adopting the recommendation in determining whether CCI has fully complied with its obligations under this Agreement. Pending such determination, CCI shall not be required to implement any contested recommendation(s). With respect to any recommendation that the Monitor determines cannot reasonably be implemented within one hundred and twenty (120) calendar days after receiving the report, the Monitor may extend the time period for implementation with prior written approval of the Department.

7. The Monitor shall undertake up to two (2) follow-up reviews to carry out the Mandate. If, reasonably promptly after completing the first follow-up review, the Monitor and CCI mutually agree that CCI's compliance program is reasonably designed and implemented to detect and prevent violations of the anti-corruption laws and is functioning effectively, and that further monitoring and review is not warranted, the Monitor may apply to the Department for permission to forego further follow-up reviews. If the Department approves, the Term of the



Monitorship shall be reduced accordingly. Conversely, if, reasonably promptly after completing the second follow-up review, the Monitor and the Department mutually agree that CCI has not by that time successfully satisfied its obligations under the plea agreement with respect to the Monitor's Mandate, the Term of the Monitorship shall be extended for one additional year, and the Monitor shall undertake a third follow-up review in accordance with the procedures for such follow-up reviews set out in the Agreement.

8. Within one hundred and twenty (120) calendar days of initiating each follow-up review, the Monitor shall:

(a) complete the review; (b) certify whether the compliance program of CCI, including its policies and procedures, is reasonably designed and implemented to detect and prevent violations within CCI of the anti-corruption laws and is functioning effectively; and (c) report on the Monitor's findings in the same fashion as set forth in paragraph 5 with respect to the initial review. The first follow-up review shall commence one year after the initial review commenced. The second follow-up review, unless one is deemed unnecessary by the Department, shall commence one year after the second follow-up review commenced. After consultation with CCI, the Monitor may extend the time period for these follow-up reviews for up to

sixty (60) calendar days with prior written approval of the Department.

9. In undertaking the assessments and reviews described in paragraphs 4 through 8 of this Agreement, the Monitor shall formulate conclusions based on, among other things:

(a) inspection of relevant documents, including CCI's current anti-corruption policies and procedures; (b) on-site observation of selected systems and procedures of CCI at sample sites, including internal controls and record-keeping and internal audit procedures; (c) meetings with, and interviews of, relevant employees, officers, directors and other persons at mutually convenient times and places; and (d) analyses, studies and testing of CCI's compliance program with respect to the anti-corruption laws.

10. Should the Monitor, during the course of his or her engagement, discover that questionable or corrupt payments or questionable or corrupt transfers of property or interests may have been offered, promised, paid or authorized by any entity or person within CCI, or any entity or person working directly or indirectly for CCI, either (a) after the date on which this Agreement is accepted by the Court or (b) that have not been adequately dealt with by CCI (collectively, "improper activities"), the Monitor shall promptly report such improper activities to CCI's General Counsel for further action. If the

Monitor believes that any improper activity or activities may constitute a significant violation of law, the Monitor shall also report such improper activity to the Department. The Monitor shall disclose improper activities in his or her discretion directly to the Department, and not to the General Counsel, only if the Monitor believes that disclosure to CCI's General Counsel would be inappropriate under the circumstances, and in such case should disclose the improper activities to CCI's General Counsel as promptly and completely as the Monitor deems appropriate under the circumstances. The Monitor shall address in his reports the appropriateness of CCI's response to all improper activities, whether previously disclosed to the Department or not. Further, in the event that CCI, or any entity or person working directly or indirectly within CCI, refuses to provide information necessary for the performance of the Monitor's responsibilities, if the Monitor believes that such refusal is without just cause, the Monitor shall disclose that fact to the Department. CCI shall not take any action to retaliate against the Monitor for any such disclosures or for any other reason. The Monitor may report any criminal or regulatory violations by CCI or any other entity discovered in the course of performing his or her duties in the same manner as described above.

11. At least annually, and more frequently if appropriate, representatives from CCI and the Department will meet together to discuss the monitorship and any suggestions, comments or improvements CCI may wish to discuss with or propose to the Department.

12. The Monitor shall enter into an undertaking with IMI, plc, the United Kingdom parent company of CCI, in accordance with applicable United Kingdom securities laws and regulations, concerning his/her recognition of insider training restrictions relevant to him/her as a recipient of information which might be price-sensitive in relation to IMI securities.