

The NORDAM Group, Inc.



FOREIGN CORRUPT PRACTICES ACT  
COMPLIANCE PROGRAM  
AND MANUAL

November 07, 2005  
Rev. #2 September 7, 2009

September 7, 2009

To My Fellow Stakeholders and Other Company Representatives:

The Board of Directors has adopted a Policy on compliance with the United States Foreign Corrupt Practices Act ("FCPA") and other similar laws that may be applicable to the Company's operations. The Policy reiterates rules which have been in effect for many years but does so in a manner that eliminates the possibility of any misunderstanding or mistake as to the Company's policy on bribery and corruption. In short, the Company will not tolerate failure on the part of any stakeholder, director, officer or representative to comply fully with all applicable provisions of the FCPA and all other applicable statutes which seek to prohibit corrupt conduct.

No stakeholder or representative of the Company has any duty that is more important than compliance with the Company's FCPA Policy. Any individual who fails to comply with that Policy will be undertaking an enormous personal risk as well as seriously endangering the Company. Any such failure will be dealt with promptly and severely.

In order to ensure that all stakeholders and representatives have all of the tools and resources necessary to understand and follow the FCPA Policy, the Board of Directors has mandated the development and implementation of an FCPA Compliance Program as detailed in the attached FCPA Compliance Manual. The Manual addresses most issues which may arise in connection with application of the Policy to the Company's business activities and details procedures for obtaining additional guidance on compliance with the Policy and for reporting suspected deviations from the Policy.

I ask that you accept your responsibilities under the Company's FCPA Policy and FCPA Compliance Program willingly and with the strongest possible commitment. I trust you appreciate that the conduct required by the attached Policy is critical to our individual livelihoods and careers as well as to the success and viability of the Company. Your faithful attention to the requirements of the attached Policy is very much appreciated by the Board of Directors and by me personally.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'W. L. Peacher', followed by a long horizontal line extending to the right.

William L. Peacher  
CEO

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**1. INTRODUCTION**

**1.1 Authorization**

This Foreign Corrupt Practices Act Compliance Program and Manual (the "Manual") is being issued at the specific direction of The NORDAM Group, Inc. Board of Directors.

**1.2 Purpose**

The purpose of the Manual is to provide all stakeholders and representatives of the Company and its subsidiaries with all tools and resources necessary to enable, monitor and enforce full compliance with the United States Foreign Corrupt Practices Act ("FCPA").

**2. CORPORATE POLICIES**

**2.1 FCPA Policy Statement**

The Company has adopted a policy on compliance with the FCPA (the "Policy"). The Policy, which is linked in Annex A of this Manual, applies to the Company and all stakeholders and representatives of the Company.

**2.2 Code of Business Conduct and Ethics**

The Policy and this Manual supplement the Company's Standard for Ethical Business Conduct, all provisions of which remain fully effective. A link to the Standard for Ethical Business Conduct is available in Annex B of this Manual.

**2.3 FCPA Compliance Program and Manual**

The FCPA Compliance Program ("Compliance Program") described in this Manual ("Manual") is intended to facilitate implementation of the Policy and provide detailed guidance and procedures which will allow all Company stakeholders and representatives to efficiently and effectively carry out the Policy's requirements and objectives.

The Manual will be periodically reviewed by the Board and appropriate amendments will be issued as often as necessary.

### **3. ADMINISTRATION OF COMPLIANCE PROGRAM**

#### **3.1 Board of Directors**

The Board has specifically approved the issuance and implementation of the Policy and the Compliance Program described in this Manual and delegates to the Company's management the ultimate responsibility for ensuring that the Company meets its obligations under the FCPA.

#### **3.2 General Counsel**

The General Counsel has responsibility for:

- (a) advising stakeholders on any legal issues related to compliance with the Policy; and
- (b) investigating possible violations of the Policy and the Compliance Program unless the Board determines that an independent investigation is warranted.

In carrying out the foregoing responsibilities, the General Counsel may utilize the assistance of outside legal counsel.

#### **3.3 Compliance Officer**

The Company's Officer of Quality, Safety and Ethical Compliance ("Compliance Officer") has responsibility for:

- (a) overall day-to-day administration of the Policy and the Compliance Program;
- (b) coordination of FCPA education and training programs as required by the Compliance Program;
- (c) receiving and responding to questions, reports and/or complaints regarding adherence to the Policy and the Compliance Program, after consultation with the General Counsel and/or the Board where appropriate;

- (d) immediately reporting to the Board any material violations of the Policy or the Compliance Program that appear to have occurred;
- (e) reporting to the Board annually on the status of the Company's compliance with the Policy and the Compliance Program and any practical issues that have arisen in connection with administration of the Policy or the Compliance Program.

The Compliance Officer shall report to the Vice Chairman of the Board who is also Chairman of the Ethics Steering Committee. The Compliance Officer is also authorized to communicate directly with the General Counsel or the Board at any time.

### **3.4 Internal Auditors**

The Company's Internal Audit Department will assist with enforcement of the Policy and the Compliance Program by routinely and regularly including in the internal audit process questions and reviews designed to test and verify compliance with the Policy and the Compliance Program and by otherwise assisting the Compliance Officer with administration of the Compliance Program as required from time to time. Each Internal Auditor will immediately notify the Compliance Officer when any credible indication of a failure to comply with the Policy or the Compliance Program comes to his or her attention.

### **3.5 Reporting Concerns**

All Company personnel are encouraged to report any potential violation of the Policy or the Compliance Program via the Process for Resolving Ethical Concerns as outlined in the Standard for Ethical Business Conduct.

### **3.6 Annual Certifications**

All stakeholder acknowledgments with respect to the Standard for Ethical Business Conduct contain the following additional language:

"The undersigned hereby certifies that he or she has read and understands the Company's Policy on Compliance with the United States Foreign Corrupt Practices Act and the Company's Foreign Corrupt Practices Act Compliance Program and Manual. The undersigned further certifies that, after due inquiry and investigation, he or she is not aware of any fact or circumstance

that indicates that a violation of the Policy or the Compliance Program described in the Manual has occurred during the period covered by this Certificate. The undersigned further certifies that he or she fully understands that a false or incomplete statement in this Certificate will be grounds for immediate dismissal from employment."

#### **4. EXPLANATION OF LAWS**

##### **4.1 Scope of the United States Foreign Corrupt Practices Act**

The FCPA has a basic requirement that may be summarized as follows:

Persons and entities covered by the FCPA may not corruptly pay, offer to pay or give anything of value to any foreign government official, foreign political party, foreign political candidate, an employee of a wholly or partially state-owned enterprise, any public international organization official or any other person with the knowledge that the payment, promise or gift will be passed on to any of the foregoing, in order to influence an official act or decision that will assist the covered person or entity in securing an improper advantage, in obtaining or retaining business or in directing business to any other person or entity.

A link to the full text of the FCPA, as amended, is available in Annex C of this Manual. In addition, an explanation of the FCPA provided on the U.S. Department of Justice website is linked in Annex D of this Manual.

##### **4.2 Key Definitions**

For purposes of the Policy and this Manual, the following terms as used in this Manual or in the FCPA should be considered to have the meanings indicated below:

- (a) "foreign official" means any officer or stakeholder of a government outside the United States or any department, agency or instrumentality thereof, or of a public international organization, or any person acting in an official capacity for or on behalf of any such government or department, agency or instrumentality, or for or on behalf of any such public international organization; an employee of a wholly or

partially state-owned enterprise; a legislator; or a member of a royal family that has official government responsibilities;

- (b) "public international organization" means an organization that is so designated by the President of the United States and generally includes organizations such as the International Monetary Fund, the European Union, the World Bank and similar organizations;
- (c) "knowledge" means the state of mind which exists when a person actually knows or is substantially certain that a particular fact or circumstance exists or will exist or when a person consciously disregards or is deliberately ignorant of information that indicates a high probability that a particular fact or circumstance exists or will exist;
- (d) "corruptly" means taking an action intentionally and voluntarily for the purpose of causing conduct that is prohibited by the FCPA.

## **5. EDUCATION AND TRAINING**

### **5.1 Frequency and Participation**

The Compliance Officer will conduct or arrange for FCPA training sessions to be provided for all stakeholders and representatives whose job function would be pertinent to FCPA requirements on an annual basis.

### **5.2 Scope of Training**

Training sessions conducted pursuant to this Manual shall include written and oral presentations regarding FCPA requirements, the Policy and the procedures detailed in this Manual, as well as group question and answer sessions and the opportunity for one-on-one discussions if requested.

### **5.3 Advanced Training**

The Compliance Officer shall participate in and complete on-going formal FCPA education annually.

## **6. DUE DILIGENCE PROCEDURES**

### **6.1 Acquisitions**

Whenever the Company pursues the acquisition of any business entity, the due diligence process associated with the proposed acquisition shall include an investigation of the acquisition target's compliance with the FCPA. The specific information to be obtained in connection with such investigation shall be specified by, and the written results of such investigation shall be reviewed and approved by, the Compliance Officer and the General Counsel.

## **6.2 Joint Ventures**

Whenever the Company elects to pursue work outside the United States through a joint venture, partnership or teaming arrangement, a review of the prospective joint venture partner or partners in order to determine the reputation, beneficial ownership, professional capability and experience, financial standing and credibility of the prospective joint venture partner or partners and the history of such prospective joint venture partner's or partners' compliance with applicable provisions of the FCPA or similar applicable legislation in other countries shall be conducted. The specific information to be obtained in connection with such investigation shall be specified by, and the written results of such investigation shall be reviewed and approved by, the Compliance Officer and the General Counsel.

## **6.3 Consultants, Agents, Sponsors and Other Representatives**

Whenever the Company intends to engage or retain a consultant, agent, sponsor or other independent third party representative in connection with any business being sought or transacted outside the United States, an investigation of the prospective representative in order to determine the reputation, beneficial ownership, professional capability and experience, financial standing and credibility of the prospective representative and the history of such prospective representative's compliance with applicable provisions of the FCPA or similar applicable legislation in other countries shall be conducted. The specific information to be obtained in connection with such investigation shall be specified by, and the results of such investigation shall be reviewed and approved by, the Compliance Officer and the General Counsel. Key information obtained shall be recorded in a written report or questionnaire which shall be certified as correct by the relevant prospective representative. When the Compliance Officer deems it appropriate or necessary, the investigation shall include a personal interview of the prospective representative by a designee of the Compliance Officer.

## **6.4 Red Flags**

One of the key aspects of FCPA related due diligence investigations is the identification of "red flags" which may indicate the potential existence of an FCPA problem. Several FCPA "red flags" identified by the U.S. Justice Department are available in Annex E hereto. All due diligence investigations conducted by the Company will include an analysis of potential "red flag" issues.

## **7. CONTRACT PROCEDURES**

### **7.1 Standard Forms and Provisions**

Unless otherwise approved in writing by the General Counsel, all contracts with consultants, agents, sponsors and other third party representatives, all joint venture, partnership and shareholder contracts and all contracts for the acquisition of entities or business assets, to the extent such contracts or agreements pertain to business carried out or to be carried out in whole or in part outside the United States, shall include provisions approved by the General Counsel in respect of the following matters:

- (a) Application of and Compliance with the FCPA
- (b) Restriction on Government and Political Activities
- (c) Accuracy of Documents
- (d) Cooperation with Audit Activities
- (e) Remedies for Default
- (f) Payment Mechanisms

All contracts which provide for the disbursement of funds by the Company for services related to business transactions outside the United States shall be in writing and shall specify the manner and method of payment of such disbursements. In addition, if relevant to the business transactions to be performed, such contracts shall identify the specific supporting documentation that must be submitted to the Company prior to payment of any such disbursement.

## **7.2 Approval Requirements**

In addition to any other approvals required by other Company policies, any contract to which Paragraph 7.1 above applies shall require the specific approval of the General Counsel. No payment may be disbursed by the Company under any such contract unless an original written copy of the contract is in the files maintained by the Company and such copy reflects the approvals required above.

## **8. THIRD PARTY ISSUES**

### **8.1 Responsibility**

The FCPA prohibits corrupt payments through intermediaries. Persons and entities covered by the FCPA are liable for indirect payments or promises prohibited by the FCPA if such payments or promises are made through a consultant, agent, sponsor, joint venture partner or other third party with the knowledge that the ultimate beneficiary is a prohibited recipient. Knowledge includes conscious disregard and deliberate ignorance of facts which indicate a high probability that the relevant payment will occur.

### **8.2 Disclosure of Knowledge and Discontinuance of Payment**

If any Company stakeholder or representative knows or reasonably believes that a payment or promise of a payment prohibited by the FCPA has been, is being or may be made by a Company stakeholder or a joint venture partner, representative or other third party intermediary for or on the Company's behalf or for the benefit of the Company, the stakeholder or representative shall immediately advise the Compliance Officer or the General Counsel and shall use all reasonable efforts to prevent the payment or promise of payment from occurring.

## **9. PERMITTED ACTIONS**

### **9.1 Facilitating Payments**

The FCPA bribery prohibitions do not extend to payments made for the purpose of expediting or securing routine governmental action by a foreign official, political party or party official. Routine governmental actions include:

- (a) obtaining permits, licenses or other official documents to qualify a person to do business in a country other than the United States;

- (b) processing governmental papers, such as visas and work orders;
- (c) providing police protection, mail pick-up and delivery, or scheduling inspections associated with contract performance, or inspections related to transit of goods across country;
- (d) providing phone service, power and water supply, loading and unloading cargo, or protecting perishable products or commodities from deterioration; or
- (e) actions of a similar nature.

Such payments, which are generally referred to as "facilitating payments", do not include payments which relate to a decision by a foreign official relative to the award of new business or the continuation of existing business. In order to qualify for the exception, such payments must be relatively small in amount and must not be prohibited by the local law of the country where the payment will be made. Prior to making any proposed payment that may be considered a "facilitating payment," the stakeholder or representative must obtain approval by the Compliance Officer or the General Counsel.

## **9.2 Local Written Law Affirmative Defense**

A payment which is expressly permitted by the written laws and regulations of the country where it is made is not prohibited by the FCPA. However, bribery of a government official is illegal in every country in the world so assertion of this defense will rarely if ever apply. Only the Compliance Officer or the General Counsel may authorize a payment if the legitimacy of such payment is based on a local law defense.

## **9.3 Reasonable and Bona Fide Expenditures**

The FCPA also does not prohibit the payment of reasonable and bona fide expenditures, such as travel and lodging expenses, incurred by a foreign official and directly related to:

- (a) the promotion, demonstration or explanation of products or services; or

- (b) the execution or performance of a contract with a foreign government.

Payment of government official expenses of the type described above must be expressly approved by the Compliance Officer or the General Counsel.

## **10. AUDITING**

### **10.1 Regular Auditing**

Testing and analysis of Company transactions for possible violation of the FCPA, the Policy or the Compliance Program shall be a regular part of the Company's routine audit process and all stakeholders and representatives are required to cooperate fully with the Company's audit staff in that regard.

### **10.2 Special FCPA Auditing**

The Compliance Officer, in consultation with the Internal Audit staff, shall select at least two Company operating locations outside the United States each year for a special audit of its FCPA compliance practices.

### **10.3 FCPA Audit Reporting to Audit Committee**

The results of all FCPA auditing activities shall be communicated to the Board promptly after completion of the relevant audit.

## **11. PENALTIES AND SANCTIONS**

### **11.1 Bribery**

The following penalties apply to violation of the FCPA's bribery prohibitions:

- (a) Criminal penalties for corporations of \$2,000,000 or twice the corporation's gross gains;
- (b) Civil penalties for corporations of up to \$10,000 plus additional fines up to \$500,000;

- (c) Criminal penalties for any stakeholder, officer, director, stockholder or agent who willfully violates the FCPA of up to \$100,000 or imprisonment up to five years, or both; and
- (d) Civil penalties for any stakeholder, officer, director, stockholder or agent who willfully violates the FCPA of up to \$10,000 plus additional fines up to \$100,000.

## **11.2 Reimbursement**

The Company may not reimburse any fine paid by a stakeholder or representative.

## **ANNEX A**

### **FCPA POLICY STATEMENT**

[http://www.nordam.net/userpages/ncd/hr/hrpolicies/POLICYPOST.pdf?DIV=7&PARENT=3071&apps\\_fk=1232&cAppscode=U387&cMenu\\_desc=NORDAM%20Policy%20Manua](http://www.nordam.net/userpages/ncd/hr/hrpolicies/POLICYPOST.pdf?DIV=7&PARENT=3071&apps_fk=1232&cAppscode=U387&cMenu_desc=NORDAM%20Policy%20Manua)

## **ANNEX B**

### **CODE OF BUSINESS CONDUCT AND ETHICS**

[http://www.nordam.net/userpages/corporate/benefits/standards\\_ethical\\_business\\_conduct\\_6.04.pdf](http://www.nordam.net/userpages/corporate/benefits/standards_ethical_business_conduct_6.04.pdf)

**ANNEX C**

**UNITED STATES FOREIGN CORRUPT PRACTICES ACT**

<http://www.bisnis.doc.gov/bisnis/fcp1.htm>

**ANNEX D**

**U.S. DEPARTMENT OF JUSTICE**

<http://www.usdoj.gov/>

## **ANNEX E**

### **RED FLAGS**

Red flags may appear in many forms, including unusual payment patterns, proposed contract terms, or billing requests. It is important to note the existence of a red flag does not mean the transaction cannot go forward. Rather, it indicates that the agreement should be further analyzed and perhaps restructured or made subject to specific representations and warranties. Extra precautions should be taken when or if the following circumstances arise:

- The agent has stated that a particular amount of money is needed for him to "get the business," "make the necessary arrangements," or some comparable expression is used;
- Off-the-book accounts are used whereby, for example, payment is made to a venture principal who then diverts part of the proceeds to a separate account for unexplainable reasons;
- The third party makes unusual requests, such as to backdate invoices, or asks for payment by indirect unusual means, such as through bank accounts outside the country where the services are being offered, or to third persons;
- The third party requests that payment be made in cash or that checks be made out to "bearer" or "cash," or seeks payment by some other unusual means, such as through shell companies created to receive revenues and facilitate transactions;
- The payment is being made in a country with a widespread history of corruption or involves an industry that has a history of anti-bribery violations (for example, defense, aircraft, energy, and construction);
- The third party wants to work without a contract (or with a vague contract) and is hesitant to make anti-corruption compliance certifications;
- The third party asks for commissions that are substantially higher than the "going rate" in that country among comparable service providers (especially where the amount or nature of work does not justify the large payments);
- The third party requests an unusually large credit line for a new customer, unusually large bonuses or similar payments, or substantial and unorthodox upfront payments;
- The third party has family or business ties with government officials;
- A potential government customer or authorizing agency recommends a venture principal. (The reasons for recommendation should be carefully evaluated.)
- The third party's business appears to lack sufficient capability or staff qualification to perform the services offered, is new to the business, cannot provide references or cannot document its claimed experience.

In addition to addressing the foregoing red flags, a company should investigate whether its prospective third party partners have a reputation for ethical behavior and integrity. A due diligence checklist should include inquiries into the third party's educational background; whether the individual has a personal or professional relationship with any governmental or quasi-governmental body; and the number and reputation of the third party's clientele.