UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA
CASE NO. 18-CR-00118

UNITED STATES OF AMERICA

v.

15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(4), 78m(b)(5), 78ff(a); 18 U.S.C. § 2

PANASONIC AVIONICS CORPORATION,

Defendant.

_____/

DEFERRED PROSECUTION AGREEMENT

Defendant Panasonic Avionics Corporation (the "Company"), pursuant to authority granted by the Company's Board of Directors, and the United States Department of Justice, Criminal Division, Fraud Section (the "Fraud Section"), enter into this Deferred Prosecution Agreement (the "Agreement").

Criminal Information and Acceptance of Responsibility

1. The Company acknowledges and agrees that the Fraud Section will file the attached one-count criminal Information in the United States District Court for the District of Columbia charging the Company with the knowing and willful falsification of the books, records, and accounts of its parent company Panasonic Corporation ("Panasonic"), a U.S. issuer until on or about April 22, 2013, in violation of Title 15, United States Code, Sections 78m(b)(2)(A), (b)(4), (b)(5), and 78ff(a), and Title 18, United States Code Section 2. In so doing, the Company: (a) knowingly waives its right to indictment on this charge, as well as all rights to a speedy trial pursuant to the Sixth Amendment to the United States Constitution, Title

18, United States Code, Section 3161, and Federal Rule of Criminal Procedure 48(b); and (b) knowingly waives any objection with respect to venue to any charges by the United States arising out of the conduct described in the Statement of Facts attached hereto as Attachment A and consents to the filing of the Information, as provided under the terms of this Agreement, in the United States District Court for the District of Columbia. The Fraud Section agrees to defer prosecution of the Company pursuant to the terms and conditions described below.

2. The Company admits, accepts, and acknowledges that it is responsible under United States law for the acts of its officers, directors, employees, and agents as charged in the Information, and as set forth in the Statement of Facts, and that the allegations described in the Information and the facts described in the Statement of Facts are true and accurate. Should the Fraud Section pursue the prosecution that is deferred by this Agreement, the Company stipulates to the admissibility of the Statement of Facts in any proceeding by the Fraud Section, including any trial, guilty plea, or sentencing proceeding, and will not contradict anything in the Statement of Facts at any such proceeding.

Term of the Agreement

3. This Agreement is effective for a period beginning on the date on which the Information is filed and ending three years from the later of the date on which the Information is filed or the date on which the independent compliance monitor (the "Monitor") is retained by the Company, as described in Paragraphs 11 through 13 below (the "Term"). The Company agrees, however, that, in the event the Fraud Section determines, in its sole discretion, that the Company has knowingly violated any provision of this Agreement or has failed to completely perform or fulfill each of the Company's obligations under this Agreement, an extension or extensions of

the Term may be imposed by the Fraud Section, in its sole discretion, for up to a total additional time period of one year, without prejudice to the Fraud Section's right to proceed as provided in Paragraphs 17 through 20 below. Any extension of the Agreement extends all terms of this Agreement, including the terms of the monitorship in Attachment D, for an equivalent period. Conversely, in the event the Fraud Section finds, in its sole discretion, that there exists a change in circumstances sufficient to eliminate the need for the monitorship in Attachment D, and that the other provisions of this Agreement have been satisfied, the Agreement may be terminated early. If the Court rejects the Agreement, all the provisions of the Agreement shall be deemed null and void, and the Term shall be deemed to have not begun.

Relevant Considerations

4. The Fraud Section enters into this Agreement based on the individual facts and circumstances presented by this case and the Company, including:

a. The Company did not receive voluntary disclosure credit because the Company's disclosures occurred only after the Securities and Exchange Commission ("SEC") requested documents from Panasonic related to possible violations of anti-corruption laws and several years after the Company and Panasonic first became aware of the allegations of bribery through a whistleblower complaint and civil lawsuit, which the Company took steps to investigate internally but chose not to voluntarily report to the relevant authorities;

b. The Company received credit for its cooperation with the Fraud Section's investigation, including conducting a thorough internal investigation; making factual presentations to the Fraud Section; providing facts learned during witness interviews conducted by the Company; voluntarily making U.S. and foreign employees available for interviews in the

United States with the Fraud Section and the SEC; in one instance, proactively alerting the Fraud Section to material information relevant to the investigation; collecting, analyzing, and organizing voluminous evidence from multiple jurisdictions; and disclosing to the Fraud Section conduct in the Middle East of which the Fraud Section was previously unaware.

c. By the conclusion of the investigation, the Company provided to the Fraud Section all relevant facts known to it, including information about the individuals involved in the conduct described in the Statement of Facts attached hereto as Attachment A ("Statement of Facts") and conduct disclosed to the Fraud Section prior to the Agreement;

d. The Company engaged in significant, although in some respects untimely, remedial measures, including causing several senior executives who were either involved in or aware of the misconduct to be separated from the Company;

e. The Company has enhanced and has committed to continuing to enhance its compliance program and internal controls, including ensuring that its compliance program satisfies the minimum elements set forth in Attachment C to this Agreement (Corporate Compliance Program), but to date has not fully implemented or tested its enhanced compliance program, and thus the imposition of an independent compliance monitor for a term of two years, as described more fully below and in Attachment D, is necessary to prevent the reoccurrence of misconduct;

f. The nature and seriousness of the offense conduct, including knowing and willful falsification of books and records that lasted for at least six years and spanned multiple countries, and participation in the scheme by high-level executives of the Company;

g. The Company has no prior criminal history;

h. The Company has agreed to continue to cooperate with the Fraud Section in any ongoing investigation of the conduct of the Company, its parent company or its affiliates, or any of its present or former officers, directors, employees, agents, business partners, distributors, and consultants relating to violations of the FCPA;

i. Panasonic has agreed to disgorge $126,900,000 in profits and $16,299,018.93 in prejudgment interest to the SEC in connection with overlapping conduct;

j. Accordingly, after considering (a) through (i) above, the Fraud Section has determined that a Deferred Prosecution Agreement, an aggregate discount of 20% off of the bottom of the otherwise-applicable U.S. Sentencing Guidelines fine range, and the imposition of a two-year independent compliance monitor is sufficient but not greater than necessary to achieve the purposes described in 18 U.S.C. § 3553.

Future Cooperation and Disclosure Requirements

5. The Company shall cooperate fully with the Fraud Section in any and all matters relating to the conduct described in this Agreement and the Statement of Facts and other conduct related to possible corrupt payments under investigation by the Fraud Section, subject to applicable law and regulations, including relevant data privacy and national security laws and regulations, until the later of the date upon which all investigations and prosecutions arising out of such conduct are concluded, or the end of the term specified in Paragraph 3. At the request of the Fraud Section, the Company shall also cooperate fully with other domestic or foreign law enforcement and regulatory authorities and agencies, as well as Multilateral Development Banks ("MDBs"), in any investigation of the Company, its parent company or its affiliates, or any of its present or former officers, directors, employees, agents, business partners, distributors, and

consultants, or any other party, in any and all matters relating to the conduct described in this Agreement and the Statement of Facts and other conduct related to possible corrupt payments under investigation by the Fraud Section. The Company agrees that its cooperation pursuant to this paragraph shall include, but not be limited to, the following:

a. The Company shall truthfully disclose all factual information not protected by a valid claim of attorney-client privilege or attorney work-product doctrine with respect to its activities, those of its parent company and affiliates, and those of its present and former directors, officers, employees, agents, business partners, distributors, and consultants, including any evidence or allegations and internal or external investigations, about which the Company has any knowledge or about which the Fraud Section may inquire. This obligation of truthful disclosure includes, but is not limited to, the obligation of the Company to provide to the Fraud Section, upon request, any document, record, or other tangible evidence about which the Fraud Section may inquire of the Company.

b. Upon request of the Fraud Section, the Company shall designate knowledgeable employees, agents, or attorneys to provide to the Fraud Section the information and materials described in Paragraph 5(a) above on behalf of the Company. It is further understood that the Company must at all times provide complete, truthful, and accurate information.

c. The Company shall use its best efforts to make available for interviews or testimony, as requested by the Fraud Section, present or former officers, directors, employees, agents, business partners, distributors, and consultants of the Company. This obligation includes, but is not limited to, sworn testimony before a federal grand jury or in federal trials, as

well as interviews with domestic or foreign law enforcement and regulatory authorities. Cooperation under this paragraph shall include identification of witnesses who, to the knowledge of the Company, may have material information regarding the matters under investigation.

d. With respect to any information, testimony, documents, records or other tangible evidence provided to the Fraud Section pursuant to this Agreement, the Company consents to any and all disclosures, subject to applicable law and regulations, to other governmental authorities, including United States authorities and those of a foreign government, as well as MDBs, of such materials as the Fraud Section, in its sole discretion, shall deem appropriate.

6. In addition to the obligations in Paragraph 5, during the Term, should the Company learn of any evidence or allegation of conduct that may constitute a violation of the anti-bribery provisions of the FCPA had the conduct occurred within the jurisdiction of the United States, the Company shall promptly report such evidence or allegation to the Fraud Section.

Payment of Monetary Penalty

7. The Fraud Section and the Company agree that application of the United States Sentencing Guidelines ("USSG" or "Sentencing Guidelines") to determine the applicable fine range yields the following analysis:

a. The 2016 USSG are applicable to this matter.

b. Offense Level. Based upon USSG § 2B1.1, the total offense level is 33, calculated as follows:

(a)(1)	Base Offense Level	7
(b)(1)	Pecuniary gain of more than $65,000,000	+24

(b)(10)	Conduct outside the U.S.	+2
	TOTAL	33

c. Base Fine. Based upon USSG § 8C2.4(a)(2), the base fine is $122,681,975 (as the pecuniary gain exceeds the fine in the Offense Level Fine Table from the 2014 USSG, pursuant to § 8C2.4(e)(1), namely $22,000,000)

d. Culpability Score. Based upon USSG § 8C2.5, the culpability score is 7, calculated as follows:

(a)	Base Culpability Score	5
(b)(2)	the organization had 1,000 or more employees and an individual within high-level personnel of the organization participated in, condoned, or was willfully ignorant of the offense	+4
(g)(2)	The organization fully cooperated in the investigation and clearly demonstrated recognition and affirmative acceptance of responsibility for its criminal conduct	- 2
	TOTAL	7

Calculation of Fine Range:

Base Fine	$122,681,975
Multipliers	1.4 (min) / 2.8 (max)
Fine Range	$171,754,765 / $343,509,530

The Company agrees to pay a monetary penalty in the amount of $137,403,812 (which includes the 20% discount described above) to the United States Treasury no later than ten business days after the Agreement is fully executed. The Company and the Fraud Section agree that this penalty is appropriate given the facts and circumstances of this case, including the Relevant Considerations described in Paragraph 4. The $137,403,812 penalty is final and shall not be

refunded. Furthermore, nothing in this Agreement shall be deemed an agreement by the Fraud Section that $137,403,812 is the maximum penalty that may be imposed in any future prosecution, and the Fraud Section is not precluded from arguing in any future prosecution that the Court should impose a higher fine, although the Fraud Section agrees that under those circumstances, it will recommend to the Court that any amount paid under this Agreement should be offset against any fine the Court imposes as part of a future judgment. The Company acknowledges that no tax deduction may be sought in connection with the payment of any part of this $137,403,812 penalty. The Company shall not seek or accept directly or indirectly reimbursement or indemnification from any source with regard to the penalty or disgorgement amounts that the Company pays pursuant to this Agreement or any other agreement entered into with an enforcement authority or regulator concerning the facts set forth in the Statement of Facts.

Conditional Release from Liability

8. Subject to Paragraphs 17 through 20, the Fraud Section agrees, except as provided in this Agreement, that it will not bring any criminal or civil case against the Company or any of its direct or indirect subsidiaries or joint ventures or any predecessor, successor, or assignee thereof, relating to any of the conduct described in the Statement of Facts or the criminal Information filed pursuant to this Agreement. The Fraud Section, however, may use any information related to the conduct described in the Statement of Facts against the Company: (a) in a prosecution for perjury or obstruction of justice; (b) in a prosecution for making a false statement; (c) in a prosecution or other proceeding relating to any crime of violence; or (d) in a

prosecution or other proceeding relating to a violation of any provision of Title 26 of the United States Code.

a. This Agreement does not provide any protection against prosecution for any future conduct by the Company.

b. In addition, this Agreement does not provide any protection against prosecution of any individuals, regardless of their affiliation with the Company.

Corporate Compliance Program

9. The Company represents that it has implemented and will continue to implement a compliance and ethics program designed to prevent and detect violations of the FCPA and other applicable anti-corruption laws throughout its operations, including those of its affiliates, agents, and joint ventures, and those of its contractors and subcontractors whose responsibilities include interacting with foreign officials or other activities carrying a high risk of corruption, including, but not limited to, the minimum elements set forth in Attachment C.

10. In order to address any deficiencies in its internal accounting controls, policies, and procedures, the Company represents that it has undertaken, and will continue to undertake in the future, in a manner consistent with all of its obligations under this Agreement, a review of its existing internal accounting controls, policies, and procedures regarding compliance with the FCPA and other applicable anti-corruption laws. Where necessary and appropriate, the Company agrees to modify its compliance program, including internal controls, compliance policies, and procedures in order to ensure that it maintains: (a) an effective system of internal accounting controls designed to ensure the making and keeping of fair and accurate books, records, and accounts; and (b) a rigorous anti-corruption compliance program that incorporates

relevant internal accounting controls, as well as policies and procedures designed to effectively detect and deter violations of the FCPA and other applicable anti-corruption laws. The compliance program, including the internal accounting controls system will include, but not be limited to, the minimum elements set forth in Attachment C. In assessing the Company's compliance program, the Fraud Section, in its sole discretion, may consider the Monitor's certification decision.

Independent Compliance Monitor

11. Promptly after the Fraud Section's selection pursuant to Paragraph 12 below, the Company agrees to retain a Monitor for the term specified in Paragraph 13. The Monitor's duties and authority, and the obligations of the Company with respect to the Monitor and the Fraud Section, are set forth in Attachment D, which is incorporated by reference into this Agreement. No later than the date of execution of this Agreement, the Company will propose to the Fraud Section a pool of three qualified candidates to serve as the Monitor. The Monitor candidates or their team members shall have, at a minimum, the following qualifications:

a. demonstrated expertise with respect to the FCPA and other applicable anti-corruption laws, including experience counseling on FCPA issues;

b. experience designing and/or reviewing corporate compliance policies, procedures and internal controls, including FCPA and anti-corruption 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 the Company to ensure effective and impartial performance of the Monitor's duties as described in the Agreement.

12. The Fraud Section retains the right, in its sole discretion, to choose the Monitor from among the candidates proposed by the Company, though the Company may express its preference(s) among the candidates. Monitor selections shall be made in keeping with the Department's commitment to diversity and inclusion. If the Fraud Section determines, in its sole discretion, that any of the candidates are not, in fact, qualified to serve as the Monitor, or if the Fraud Section, in its sole discretion, is not satisfied with the candidates proposed, the Fraud Section reserves the right to request that the Company nominate additional candidates. In the event the Fraud Section rejects any proposed Monitors, the Company shall propose additional candidates within twenty business days after receiving notice of the rejection so that three qualified candidates are proposed. This process shall continue until a Monitor acceptable to both parties is chosen. The Fraud Section and the Company will use their best efforts to complete the selection process within sixty calendar days of the execution of this Agreement. If the Monitor resigns or is otherwise unable to fulfill his or her obligations as set out herein and in Attachment D, the Company shall within twenty business days recommend a pool of three qualified Monitor candidates from which the Fraud Section will choose a replacement.

13. The Monitor's term shall be two years from the date on which the Monitor is retained by the Company, subject to extension or early termination as described in Paragraph 3. The Monitor's powers, duties, and responsibilities, as well as additional circumstances that may support an extension of the Monitor's term, are set forth in Attachment D. The Company agrees that it will not employ or be affiliated with the Monitor or the Monitor's firm for a period of not

less than two years from the date on which the Monitor's term expires. Nor will the Company discuss with the Monitor or the Monitor's firm the possibility of further employment or affiliation during the Monitor's term.

14. At the end of the monitorship, provided all requirements set forth in Paragraph 8 of Attachment D are met, the Company will report on its compliance to the Fraud Section periodically, at no less than six-month intervals, for the remainder of this Agreement, regarding remediation and implementation of the enhanced compliance measures set forth by the Monitor as described in Paragraph 8 of Attachment D. The Company shall designate a senior company officer as the person responsible for overseeing the Company's corporate compliance reporting obligations. During this period, the Company shall conduct and prepare at least two follow-up reviews and reports, as described below:

a. The Company shall undertake follow-up reviews at six-month intervals, each incorporating the Fraud Section's views and comments on the Company's prior reviews and reports, to determine whether the policies and procedures of the Company are reasonably designed to detect and prevent violations of the FCPA and other applicable anti-corruption laws. Reports shall be transmitted: Chief of the FCPA Unit, Fraud Section, Criminal Division, U.S. Department of Justice, 1400 New York Avenue, N.W., Washington, D.C. 20005.

b. The first follow-up review and report shall be completed by no later than one hundred eighty calendar days after the approval by the Fraud Section of the enhanced compliance measures described in Paragraph 8 of Attachment D. Subsequent follow-up reviews and reports shall be completed by no later than one hundred eighty calendar days after the completion of the preceding follow-up review. The final follow-up review and report shall be

completed and delivered to the Fraud Section no later than thirty days before the end of the Term.

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

Deferred Prosecution

15. In consideration of the undertakings agreed to by the Company herein, the Fraud Section agrees that any prosecution of the Company for the conduct set forth in the Statement of Facts be and hereby is deferred for the Term. To the extent there is conduct disclosed by the Company that is not set forth in the Statement of Facts, such conduct will not be exempt from further prosecution and is not within the scope of or relevant to this Agreement.

16. The Fraud Section further agrees that if the Company fully complies with all of its obligations under this Agreement, the Fraud Section will not continue the criminal prosecution against the Company described in Paragraph 1 and, at the conclusion of the Term, this Agreement shall expire. Within six months after the Agreement's expiration, the Fraud Section shall seek dismissal with prejudice of the criminal Information filed against the Company described in Paragraph 1, and agrees not to file charges in the future against the Company based on the conduct described in this Agreement and the Statement of Facts.

Breach of the Agreement

17. If, during the Term, the Company (a) commits any felony under U.S. federal law; (b) provides in connection with this Agreement deliberately false, incomplete, or misleading information, including in connection with its disclosure of information about individual culpability; (c) fails to cooperate as set forth in Paragraphs 5 and 6 of this Agreement; (d) fails to

implement a compliance program as set forth in Paragraphs 9 and 10 of this Agreement and Attachment C; (e) commits any acts that, had they occurred within the jurisdictional reach of the FPCA, would be a violation of the anti-bribery provisions of the FCPA; or (f) otherwise fails to completely perform or fulfill each of the Company's obligations under the Agreement, regardless of whether the Fraud Section becomes aware of such a breach after the Term is complete, the Company, or any of its direct or indirect subsidiaries or joint ventures or any predecessor, successor, or assignee thereof, shall thereafter be subject to prosecution for any federal criminal violation of which the Fraud Section has knowledge, including, but not limited to, the charges in the Information described in Paragraph 1, which may be pursued by the Fraud Section in the U.S. District Court for the District of Columbia or any other appropriate venue. Determination of whether the Company has breached the Agreement and whether to pursue prosecution of the Company, or any of its direct or indirect subsidiaries or joint ventures or any predecessor, successor, or assignee thereof, shall be in the Fraud Section's sole discretion. Any such prosecution may be premised on information provided by the Company or its personnel. Any such prosecution relating to the conduct described in the Statement of Facts or relating to conduct known to the Fraud Section prior to the date on which this Agreement was signed that is not time-barred by the applicable statute of limitations on the date of the signing of this Agreement may be commenced against the Company, or any of its direct or indirect subsidiaries or joint ventures or any predecessor, successor, or assignee thereof, notwithstanding the expiration of the statute of limitations, between the signing of this Agreement and the expiration of the Term plus one year. Thus, by signing this Agreement, the Company agrees that the statute of limitations with respect to any such prosecution that is not time-barred on the date of the

signing of this Agreement shall be tolled for the Term plus one year. In addition, the Company agrees that the statute of limitations as to any violation of federal law that occurs during the Term will be tolled from the date upon which the violation occurs until the earlier of the date upon which the Fraud Section is made aware of the violation or the duration of the Term plus five years, and that this period shall be excluded from any calculation of time for purposes of the application of the statute of limitations.

18. In the event the Fraud Section determines that the Company has breached this Agreement, the Fraud Section agrees to provide the Company with written notice of such breach prior to instituting any prosecution resulting from such breach. Within thirty days of receipt of such notice, the Company shall have the opportunity to respond to the Fraud Section in writing to explain the nature and circumstances of such breach, as well as the actions the Company has taken to address and remediate the situation, which explanation the Fraud Section shall consider in determining whether to pursue prosecution of the Company or any of its direct or indirect subsidiaries or joint ventures or any predecessor, successor, or assignee thereof.

19. In the event that the Fraud Section determines that the Company has breached this Agreement: (a) all statements made by or on behalf of the Company to the Fraud Section or to the Court, including the Statement of Facts, and any testimony given by the Company before a grand jury, a court, or any tribunal, or at any legislative hearings, whether prior or subsequent to this Agreement, and any leads derived from such statements or testimony, shall be admissible in evidence in any and all criminal proceedings brought by the Fraud Section against the Company, or any of its direct or indirect subsidiaries or joint ventures or any predecessor, successor, or assignee thereof; and (b) the Company shall not assert any claim under the United States

Constitution, Rule 11(f) of the Federal Rules of Criminal Procedure, Rule 410 of the Federal Rules of Evidence, or any other federal rule that any such statements or testimony made by or on behalf of the Company prior or subsequent to this Agreement, or any leads derived therefrom, should be suppressed or are otherwise inadmissible. The decision whether conduct or statements of any current director, officer or employee, or any person acting on behalf of, or at the direction of, the Company, will be imputed to the Company for the purpose of determining whether the Company has violated any provision of this Agreement shall be in the sole discretion of the Fraud Section.

20. The Company acknowledges that the Fraud Section has made no representations, assurances, or promises concerning what sentence may be imposed by the Court if the Company breaches this Agreement and this matter proceeds to judgment. The Company further acknowledges that any such sentence is solely within the discretion of the Court and that nothing in this Agreement binds or restricts the Court in the exercise of such discretion.

21. On the date that the period of deferred prosecution specified in this Agreement expires, the Company, by the Chief Executive Officer of the Company and the Chief Financial Officer of the Company, will certify to the Fraud Section that the Company has met its disclosure obligations pursuant to Paragraph 6 of this Agreement. Each certification will be deemed a material statement and representation by the Company to the executive branch of the United States for purposes of 18 U.S.C. § 1001, and it will be deemed to have been made in the judicial district in which this Agreement is filed.

Sale, Merger, or Other Change in Corporate Form of Company

22. Except as may otherwise be agreed by the parties in connection with a particular transaction, the Company agrees that in the event that, during the Term, it undertakes any change in corporate form, including if it sells, merges, or transfers business operations that are material to the Company's consolidated operations, or to the operations of any subsidiaries or affiliates involved in the conduct described in the Statement of Facts, as they exist as of the date of this Agreement, whether such sale is structured as a sale, asset sale, merger, transfer, or other change in corporate form, it shall include in any contract for sale, merger, transfer, or other change in corporate form a provision binding the purchaser, or any successor in interest thereto, to the obligations described in this Agreement. The purchaser or successor in interest must also agree in writing that the Fraud Section's ability to breach under this Agreement is applicable in full force to that entity. The Company agrees that the failure to include these provisions in the transaction will make any such transaction null and void. The Company shall provide notice to the Fraud Section at least thirty days prior to undertaking any such sale, merger, transfer, or other change in corporate form. If the Fraud Section notifies the Company prior to such transaction (or series of transactions) that it has determined that the transaction(s) has the effect of circumventing or frustrating the enforcement purposes of this Agreement, as determined in the sole discretion of the Fraud Section, the Company agrees that such transaction(s) will not be consummated. In addition, if at any time during the Term the Fraud Section determines in its sole discretion that the Company has engaged in a transaction(s) that has the effect of circumventing or frustrating the enforcement purposes of this Agreement, it may deem it a breach of this Agreement pursuant to Paragraphs 17 through 20 of this Agreement. Nothing

herein shall restrict the Company from indemnifying (or otherwise holding harmless) the purchaser or successor in interest for penalties or other costs arising from any conduct that may have occurred prior to the date of the transaction, so long as such indemnification does not have the effect of circumventing or frustrating the enforcement purposes of this Agreement, as determined by the Fraud Section.

Public Statements by Company

23. The Company expressly agrees that it shall not, through present or future attorneys, officers, directors, employees, agents or any other person authorized to speak for the Company make any public statement, in litigation or otherwise, contradicting the acceptance of responsibility by the Company set forth above or the facts described in the Statement of Facts. Any such contradictory statement shall, subject to cure rights of the Company described below, constitute a breach of this Agreement, and the Company thereafter shall be subject to prosecution as set forth in Paragraphs 17 through 20 of this Agreement. The decision whether any public statement by any such person contradicting a fact contained in the Statement of Facts will be imputed to the Company for the purpose of determining whether it has breached this Agreement shall be at the sole discretion of the Fraud Section. If the Fraud Section determines that a public statement by any such person contradicts in whole or in part a statement contained in the Statement of Facts, the Fraud Section shall so notify the Company, and the Company may avoid a breach of this Agreement by publicly repudiating such statement(s) within five business days after notification. The Company shall be permitted to raise defenses and to assert affirmative claims in other proceedings relating to the matters set forth in the Statement of Facts provided that such defenses and claims do not contradict, in whole or in part, a statement contained in the

Statement of Facts. This paragraph does not apply to any statement made by any present or former officer, director, employee, or agent of the Company in the course of any criminal, regulatory, or civil case initiated against such individual, unless such individual is speaking on behalf of the Company.

24. The Company agrees that if it, its parent company, or any of its direct or indirect subsidiaries or affiliates issues a press release or holds any press conference in connection with this Agreement, the Company shall first consult with the Fraud Section to determine (a) whether the text of the release or proposed statements at the press conference are true and accurate with respect to matters between the Fraud Section and the Company; and (b) whether the Fraud Section has any objection to the release.

25. The Fraud Section agrees, if requested to do so, to bring to the attention of law enforcement and regulatory authorities the facts and circumstances relating to the nature of the conduct underlying this Agreement, including the nature and quality of the Company's cooperation and remediation. By agreeing to provide this information to such authorities, the Fraud Section is not agreeing to advocate on behalf of the Company, but rather is agreeing to provide facts to be evaluated independently by such authorities.

Limitations on Binding Effect of Agreement

26. This Agreement is binding on the Company and the Fraud Section but specifically does not bind any other component of the Department of Justice, other federal agencies, or any state, local or foreign law enforcement or regulatory agencies, or any other authorities, although the Fraud Section will bring the cooperation of the Company and its

compliance with its other obligations under this Agreement to the attention of such agencies and authorities if requested to do so by the Company.

Notice

27. Any notice to the Fraud Section under this Agreement shall be given by personal delivery, overnight delivery by a recognized delivery service, or registered or certified mail, addressed to: Chief of the FCPA Unit, Fraud Section, Criminal Division, U.S. Department of Justice, 1400 New York Avenue, N.W., Washington, D.C. 20005. Any notice to the Company under this Agreement shall be given by personal delivery, overnight delivery by a recognized delivery service, or registered or certified mail, addressed to Hideo Nakano, Chief Executive Officer, 26200 Enterprise Way, Lake Forest, California, 92630, with a copy to Ronald C. Machen, Wilmer Cutler Pickering Hale and Dorr LLP, 1875 Pennsylvania Avenue, N.W., Washington, D.C. 20006. Notice shall be effective upon actual receipt by the Fraud Section or the Company.

Complete Agreement

28. This Agreement, including its attachments, sets forth all the terms of the agreement between the Company and the Fraud Section. No amendments, modifications, or additions to this Agreement shall be valid unless they are in writing and signed by the Fraud Section, the attorneys for the Company and a duly authorized representative of the Company.

AGREED:

FOR PANASONIC AVIONICS CORPORATION:

Date: April 25, 2018

By: _____
Hideo Nakano, President and Chief Executive Officer
Panasonic Avionics Corporation

Date: 4/27/18

By: _____
Ronald C. Machen, Esq.
Matthew T. Jones, Esq.
Kimberly A. Parker, Esq.
Erin G.H. Sloane, Esq.
Wilmer Cutler Pickering Hale and Dorr LLP
Counsel for Panasonic Avionics Corporation

FOR THE DEPARTMENT OF JUSTICE:

SANDRA MOSER
Acting Chief, Fraud Section
Criminal Division
United States Department of Justice

Date: 29 APR 2018

BY: _____
Dennis R. Kihm
Jeremy R. Sanders
Trial Attorneys

COMPANY OFFICER'S CERTIFICATE

I have read this Agreement and carefully reviewed every part of it with outside counsel for Panasonic Avionics Corporation (the "Company"). I understand the terms of this Agreement and voluntarily agree, on behalf of the Company, to each of its terms. Before signing this Agreement, I consulted outside counsel for the Company. Counsel fully advised me of the rights of the Company, of possible defenses, of the Sentencing Guidelines' provisions, and of the consequences of entering into this Agreement.

I have carefully reviewed the terms of this Agreement with the Board of Directors of the Company. I have advised and caused outside counsel for the Company to advise the Board of Directors fully of the rights of the Company, of possible defenses, of the Sentencing Guidelines' provisions, and of the consequences of entering into the Agreement.

No promises or inducements have been made other than those contained in this Agreement. Furthermore, no one has threatened or forced me, or to my knowledge any person authorizing this Agreement on behalf of the Company, in any way to enter into this Agreement. I am also satisfied with outside counsel's representation in this matter. I certify that I am the President and Chief Executive Officer for the Company and that I have been duly authorized by the Company to execute this Agreement on behalf of the Company.

Date: April 25, 2018

Panasonic Avionics Corporation

By: _____

Hideo Nakano
President and Chief Executive Officer

CERTIFICATE OF COUNSEL

I am counsel for Panasonic Avionics Corporation (the "Company") in the matter covered by this Agreement. In connection with such representation, I have examined relevant Company documents and have discussed the terms of this Agreement with the Company Board of Directors. Based on our review of the foregoing materials and discussions, I am of the opinion that the representative of the Company has been duly authorized to enter into this Agreement on behalf of the Company and that this Agreement has been duly and validly authorized, executed, and delivered on behalf of the Company and is a valid and binding obligation of the Company. Further, I have carefully reviewed the terms of this Agreement with the Board of Directors and the Chief Executive Officer of the Company. I have fully advised them of the rights of the Company, of possible defenses, of the Sentencing Guidelines' provisions and of the consequences of entering into this Agreement. To my knowledge, the decision of the Company to enter into this Agreement, based on the authorization of the Board of Directors, is an informed and voluntary one.

Date: 4/27/18

By: _____

Ronald C. Machen, Esq.
Wilmer Cutler Pickering Hale and Dorr LLP
Counsel for Panasonic Avionics Corporation

ATTACHMENT A

STATEMENT OF FACTS

1. The following Statement of Facts is incorporated by reference as part of the Deferred Prosecution Agreement (the "Agreement") between the United States Department of Justice, Criminal Division, Fraud Section (the "Fraud Section") and Panasonic Avionics Corporation ("PAC"). PAC hereby agrees and stipulates that the following information is true and accurate. PAC admits, accepts, and acknowledges that it is responsible for the acts of its officers, directors, employees, and agents as set forth below. Should the Fraud Section pursue the prosecution that is deferred by this Agreement, PAC agrees that it will neither contest the admissibility of, nor contradict, this Statement of Facts in any such proceeding. The following facts establish beyond a reasonable doubt the charges set forth in the criminal Information attached to this Agreement:

Relevant Entities and Individuals

2. Panasonic Corporation ("Panasonic") is a multinational electronics corporation headquartered in Japan, which employs over 250,000 employees worldwide. Until April 22, 2013, shares of Panasonic's stock traded on the New York Stock Exchange as American Depository Receipts, and Panasonic was required to file periodic reports with the Securities and Exchange Commission ("SEC") pursuant to Section 15(d) of the Securities Exchange Act of 1934, Title 15, United States Code, Section 78o(d). Panasonic was therefore an "issuer" within the meaning of the Foreign Corrupt Practices Act ("FCPA"), Title 15, United States Code, Sections 78dd-1(a) and 78m(b), until it deregistered on April 22, 2013, and again for a brief period between 2015 and 2016

as a result of a share swap transaction that retriggered Panasonic's obligation to file its financial statements with the SEC.

3. PAC is a wholly-owned subsidiary of Panasonic that designs and distributes in-flight entertainment systems ("IFE") and global communications services ("GCS") for airlines and airplane manufacturers. PAC is headquartered in Lake Forest, California, and employs approximately 4,600 employees worldwide. PAC was therefore a "domestic concern" within the meaning of the FCPA, Title 15, United States Code, Section 78dd-2(h). PAC's financial statements are fully consolidated into Panasonic's financial statements.

4. "PAC Executive 1," an individual whose identity is known to the Fraud Section and PAC, was an officer and high-level executive of PAC from at least 2005 until he was separated from the Company in 2017. PAC Executive 1 was named as an Executive Officer of Panasonic on April 1, 2013. At the end of each fiscal year for the relevant period, PAC Executive 1 was responsible for signing certifications that PAC's internal controls over its financial reporting were functioning effectively for Sarbanes-Oxley consolidation purposes.

5. "PAC Executive 2," an individual whose identity is known to the Fraud Section and PAC, was an officer and high-level executive of PAC from approximately 2008 until June 2012. During the period that PAC Executive 2 served at PAC, he held a concurrent title at one of Panasonic's eight reporting segments. In April 2013, PAC Executive 2 assumed a senior leadership role within one of Panasonic's reporting segments. For fiscal years 2007 through 2011, PAC Executive 2 signed PAC's Sarbanes-Oxley certifications on behalf of the department he oversaw within PAC, attesting that its internal controls over its financial reporting were functioning effectively. PAC Executive 2 was separated from Panasonic in 2017.

6. "PAC Executive 3," an individual whose identity is known to the Fraud Section and PAC, was a senior finance executive at PAC from approximately 2009 until June 2012 when he left PAC to assume a finance position within Panasonic. For fiscal years 2009 through 2011, PAC Executive 3 signed PAC's Sarbanes-Oxley certifications on behalf of PAC's finance department, attesting that PAC's internal controls over its financial reporting were functioning effectively.

7. "PAC Executive 4," an individual whose identity is known to the Fraud Section and PAC, was a senior finance executive at PAC from approximately June 2012 until April 2016. For fiscal year 2012, PAC Executive 4 signed PAC's Sarbanes-Oxley certification on behalf of PAC's finance department, attesting that PAC's internal controls over its financial reporting were functioning effectively. PAC Executive 4 was separated from Panasonic in 2018.

8. "PAC Sales Agent 1," an individual whose identify is known to the Fraud Section and PAC, served as PAC's sole sales representative in PAC's Middle East region for the marketing and sale of IFEs from at least 1989 until his contract with PAC was terminated in 2016. PAC Sales Agent 1 was an "agent" of PAC within the meaning of the FCPA, Title 15, United States Code, Section 78dd-2(a).

9. "Service Provider," an entity whose identity is known to the Fraud Section and PAC, is a California corporation related to another corporation retained by PAC for technical publication services.

10. "Middle East Airline," an entity known to the Fraud Section and PAC, is a commercial airline based in the Middle East that is wholly-owned by a foreign government.

Middle East Airline was an "instrumentality" of a foreign government, within the meaning of the FCPA, Title 15, United States Code, Section 78dd-1(f)(1).

11. "Foreign Official," an individual whose identity is known to the Fraud Section and PAC, was employed as a senior contracts official at Middle East Airline until February 2008. While so employed, Foreign Official was a "foreign official" within the meaning of the FCPA, Title 15, United States Code, Section 78dd-1(f)(1).

12. "Domestic Airline," along with its successor corporate organization, both entities known to the Fraud Section and PAC, were publicly-owned commercial airlines based in the United States during the relevant period.

13. "Domestic Airline Consultant," an individual whose identity is known to the Fraud Section and PAC, was employed as an account manager at PAC from 2000 until April 2007. Beginning in May 2007, Domestic Airline Consultant served as a consultant for Domestic Airline until December 2013.

14. "PAC Sales Agent 2," an entity whose identity is known to the Fraud Section and PAC, was a sales agent based in Malaysia that PAC contracted directly with to obtain and manage contracts with multiple airlines, including state-owned airlines, throughout Asia until PAC terminated its contract in 2015.

15. "PAC Sales Agent 3," an entity whose identity is known to the Fraud Section and PAC, was a sales agent based in Thailand that PAC contracted directly with to obtain and manage contracts with a state-owned airline in Thailand until 2009.

16. "PAC Sales Agent 4," an entity whose identity is known to the Fraud Section and PAC, was a sales agent based in Singapore with which PAC sought to contract directly in 2010 to obtain and manage contracts with a state-owned airline in Vietnam.

Overview of the Schemes

17. Between 2007 and 2013, PAC employees, including senior executives, engaged in a scheme to retain consultants for improper purposes other than for providing actual consulting services. The consultants were retained through Service Provider and were paid for out of a budget over which PAC Executive 1 had complete control and discretion without meaningful oversight by anyone at PAC or Panasonic. First, in July 2007, PAC executives began negotiating a consulting position with Foreign Official at the same time that Foreign Official was involved in negotiating a lucrative contract amendment on behalf of Middle East Airline with PAC. Although Foreign Official ultimately did little work for PAC, over a six-year period PAC made $875,000 in payments to Foreign Official that were accounted for in Panasonic's accounting books and records as legitimate consulting expenses. Second, in October 2007, PAC retained as a consultant Domestic Airline Consultant who was already working as a consultant for Domestic Airline, and then used Domestic Airline Consultant to obtain confidential non-public business information about the airline, including information about its negotiations with PAC competitors. Over a five-year period, PAC made $825,000 in payments to Domestic Airline Consultant that were accounted for in Panasonic's accounting books and records as legitimate consulting expenses. Despite knowing that PAC was falsely recording these payments as legitimate consulting expenses, PAC Executive 1 falsely certified in Sarbanes-Oxley certifications that "no deficiencies have been

identified and the internal control[s] over financial reporting have effectively functioned in [the] company."

18. Between 2007 and 2016, certain PAC employees also concealed PAC's use of sales agents in Asia, some of which did not pass PAC's internal diligence requirements. PAC formally terminated its relationship with these sales agents, as required by PAC's compliance policies, but certain PAC employees then secretly continued to use the agents by having them rehired as sub-agents through PAC Sales Agent 2, which had passed PAC's due diligence checks. Through this process, PAC employees hid more than $7 million in payments to at least thirteen sub-agents, some of which had not passed due diligence checks, by improperly reporting them as legitimate commission payments to PAC Sales Agent 2 or other sales agents. Despite receiving warnings and red flags about this conduct, PAC Executive 2 and other PAC employees took no action to prevent the continued use of PAC Sales Agent 2 to funnel payments to other sales agents.

PAC's Retention of Consultants Through the Office of the President Budget

19. To cover expenses incurred by at least one senior PAC executive, such as travel, corporate entertainment, and consultancy payments, PAC designated an Office of the President Budget. The Office of the President Budget was set annually by a PAC finance executive, in consultation with PAC Executive 1. The funds allocated to the Office of the President Budget were set on a yearly basis, based on the previous year's costs and adjusted if changes in expenses were expected. The Office of the President Budget was neither reviewed nor approved by any Panasonic personnel. During the relevant period, the amount allocated to the Office of the President Budget exceeded several hundred thousand dollars per year.

20. Funds expended from the Office of the President Budget were booked on PAC's general ledger in various categories, including travel, payroll, and consultant payments. As a wholly-owned subsidiary of Panasonic, PAC's financials were consolidated into Panasonic's books, records, and accounts. Expenses from the Office of the President Budget would roll up into the "other general administrative expenses" line item on the books of a Panasonic reporting segment and then ultimately into the "selling and general administrative expenses" line item on Panasonic's books, records, and accounts.

21. Despite providing for a discretionary fund, PAC failed to maintain internal accounting controls reasonably designed to ensure that funds expended from the Office of the President Budget were used for their intended purposes, were used in accordance with the law, and were properly recorded in PAC's, and ultimately Panasonic's, books and records. In fact, PAC Executive 1 had complete discretion over how to spend the funds allocated in the budget without meaningful oversight by PAC Finance or any other personnel at PAC.

22. Beginning in at least October 2007 and continuing until at least January 2014, PAC Executive 1 used the Office of the President Budget to make payments to multiple individuals, including consultants that performed limited or no work for PAC with little to no supervision by anyone at PAC. Instead of paying these consultants directly from PAC, PAC Executive 1 arranged for these consultants to be formally retained, and paid, through Service Provider. Other than providing basic administrative and payroll services, Service Provider was not involved in managing or otherwise working with the consultants, but instead acted as a pass through for purposes of invoicing PAC for the consultants, with PAC paying Service Provider a percentage of the consultant's payments. PAC would then pay the consultants through Service Provider for

consulting work ostensibly provided by the consultants, even when there was little or no evidence of services being performed to justify the payments.

23. In 2010, PAC Executive 3 requested that PAC's Internal Audit Department conduct an audit of PAC's "vendor selection, payment processing and contract execution." At the conclusion of the audit, PAC's Internal Audit Department issued a report (the "Selected Vendor Audit Report") that identified a number of compliance risks associated with PAC's use of Service Provider to retain and pay consultants, including the lack of supervision over certain consultants and a lack of deliverables provided to PAC from both Service Provider and the consultants themselves.

24. Specifically, the Selected Vendor Audit Report identified as a "critical risk" that PAC continued to pay consultants through Service Provider even though PAC's agreement with Service Provider had expired in May 2009. In addition, the report identified as a "high risk" the fact that payments were made to multiple consultants in the absence of any deliverables provided to PAC. The report also noted that PAC's procurement department was "not involved in hiring these consultants" and that the "visibility of the contract process needs to be enhanced." An initial version of the report, drafted in September 2010, concluded with a recommendation that "**[Service Provider] consultant payments should be carefully reviewed in light of FCPA regulation** [sic] **due to lack of clarity in deliverables**." PAC Executive 3 received this version of the Selected Vendor Audit Report in March 2011 and other senior PAC executives received this report in May 2012.

25. In December of 2010, an abbreviated version of the Selected Vendor Audit Report was circulated among other PAC employees, including PAC Executive 2 and PAC Executive 3.

PAC Executive 4 received this version of the report in November 2012. Although this version of the Selected Vendor Audit Report still identified the risks associated with the payments made through Service Provider and the lack of deliverables for certain consultants, it omitted the final concluding recommendation mentioning the FCPA and certain other observations and recommendations, including the recommendation that "[p]rocurement should be consulted prior to hiring any consultant or vendors." No explanation was provided for omitting these additional comments from the Selected Vendor Audit Report.

26. Despite the repeated distribution of these two versions of the Selected Vendor Audit Report between 2010 and 2012 among several PAC employees, including PAC Executive 2, PAC Executive 3, and PAC Executive 4, PAC failed to conduct any significant follow up to address the issues raised by the report. Although, in response to a request from PAC, Service Provider began to seek activity reports from consultants as to the work they provided on behalf of PAC, such reports and other deliverables were provided only on an intermittent basis and typically provided very little detail as to the nature of the work performed.

Foreign Official

27. In 2004, PAC signed a ten-year master product supply agreement with Middle East Airline to provide IFEs on airplanes in Middle East Airline's fleet. On November 12, 2007, PAC and Middle East Airline executed an Amendment to the master agreement (known as Amendment 2), which encompassed a number of separate programs that ultimately earned PAC over $353 million in revenue between 2007 and 2015.

28. At the time of Amendment 2's execution, and until February 2008, Foreign Official was employed as a contracting manager at Middle East Airline and was PAC's primary point of

contact at Middle East Airline for contract-related issues. In his position at Middle East Airline, Foreign Official had the ability to take official action and exert official influence over certain contractual terms within Amendment 2. Foreign Official primarily negotiated with PAC through PAC Sales Agent 1.

29. Beginning in April 2007, PAC Sales Agent 1 and Foreign Official began discussing a potential consultancy position for Foreign Official with PAC, while Foreign Official was still employed by Middle East Airline and working on Amendment 2. In May 2007, PAC Sales Agent 1 began advocating for a position for Foreign Official with PAC executives, and in July 2007, substantive discussions among PAC senior personnel, including PAC Executive 1 and PAC Executive 2, regarding a consultant position for Foreign Official began in earnest. Contract negotiations between Foreign Official and PAC continued through the fall of 2007, with PAC ultimately making Foreign Official an offer of a consultant position with an annual salary of $200,000 in late October 2007, while Foreign Official was still employed by Middle East Airline.

30. The master agreement between Middle East Airline and PAC prohibited PAC from offering any consideration to employees of Middle East Airline. As a result, PAC Sales Agent 1 and PAC senior executives discussed the need to be circumspect about the negotiations surrounding the consultancy offer to Foreign Official and the "risk" that PAC was assuming in making a job offer to Foreign Official while he was still employed by Middle East Airline. For example, on September 21, 2007, PAC Sales Agent 1 authored an email to three senior PAC executives, including PAC Executive 1 and PAC Executive 2, in which he attached a marked-up consultancy agreement for Foreign Official and commented that "[d]ue to his current status with his present employer, [Foreign Official] does not want any one [sic] contacting him." In response,

PAC Executive 2 stated that PAC "should be very sensitive to [Foreign Official]'s current position" and added that "[w]hat we are doing for [Foreign Official] is a large risk for a corporation like Panasonic. I think we still should for good reasons, but we must get this done above the table with complete transparency."

31. During this same time period, PAC and Middle East Airline were engaged in negotiations regarding the terms of Amendment 2. In his role as an employee of Middle East Airline, Foreign Official was responsible for interfacing with PAC and working on aspects of Amendment 2, including drafting the contract language reflecting the terms agreed to by the parties. Specifically, Foreign Official participated in email communications concerning contracts included in Amendment 2 whereby Middle East Airline engaged PAC to supply IFEs for certain leased planes. Because these planes were not newly manufactured, these contracts required PAC to tailor the IFEs in order to "retrofit" the IFEs onto existing aircraft. Foreign Official was also involved in the negotiations over a series of "reconfiguration" contracts included in Amendment 2 whereby Middle East Airline engaged PAC to reconfigure certain IFEs for newly installed business class and first class seats on aircraft already equipped with PAC IFEs. For example, Foreign Official authored an email on July 30, 2007, in which he advocated for Middle East Airline to select a newer and more expensive PAC IFE model.

32. During this time period, Foreign Official also participated in certain negotiations between PAC and Middle East Airline as to whether nonrecurring engineering ("NRE") costs and supplemental type certificates ("STC") costs would be included in Amendment 2. On February 27, 2008, PAC Sales Agent 1 emailed PAC Executive 1 and PAC Executive 2 and stated that he "worked tirelessly with [Foreign Official] to incorporate payment for NRE / STC/ Certification

costs for retrofits to be made part of the contract signed by [a foreign official representing Middle East Airline] and [PAC Executive 1]."

33. Foreign Official resigned from Middle East Airline in February 2008 and was formally retained as a consultant for PAC through Service Provider in April 2008. Foreign Official performed minimal work in his six years of service as a consultant for PAC. Significantly, the 2010 Selected Vendor Audit Report noted that PAC's Internal Audit Department was unable to locate deliverables associated with Foreign Official's consultancy. According to the report, after following up with PAC employees, representatives of the Internal Audit Department were told that deliverables for Foreign Official did not exist because PAC had requested no services of Foreign Official in the twelve months prior to the report, although PAC still paid Foreign Official's invoices.

34. Foreign Official's fees were paid out of the Office of the President Budget through Service Provider. These payments were made in the absence of effective internal accounting controls, including PAC's failure to define the "consulting services" to be provided or obtain sufficient documentation to substantiate the nature and appropriate value of the "consulting services" provided by Foreign Official. Between 2008 and 2014, PAC paid Foreign Official through Service Provider a total of $875,000 in payments, which were mischaracterized as "consultant payments" on PAC's general ledger, when in fact none, or very few, of the payments to Foreign Official was for actual consultant services. PAC then caused the payments made to Foreign Official through Service Provider ultimately to be incorrectly designated as "selling and general administrative expenses" on Panasonic's books, records, and accounts.

35. Between April 2007, when negotiations began with Foreign Official concerning an offer of a consultant position at PAC, and March 2013, PAC earned $92,805,432 in profits from Middle East Airline attributable to twelve programs subsumed under Amendment 2 for which Foreign Official had some involvement or influence, including the IFE retrofit and reconfiguration contracts and contracts for which NRE and STC costs were included.

Domestic Airline Consultant

36. Domestic Airline Consultant worked as an account manager at PAC from 2000 until April 2007, when he left PAC to serve as a consultant for Domestic Airline, one of PAC's largest customers at the time. In October 2007, while Domestic Airline Consultant was still working as a consultant to Domestic Airline, PAC Executive 1 arranged for Domestic Airline Consultant to be hired by Service Provider to serve as a consultant for PAC effective August 2007. At the time, Domestic Airline Consultant had the ability to take action and exert influence over the business relationship between Domestic Airline and PAC. Domestic Airline Consultant's fees were paid out of the Office of the President Budget through Service Provider. Domestic Airline Consultant served in this dual consultancy role until December 2013 when he returned to PAC as an employee of the Company. Domestic Airline Consultant was separated from PAC in February of 2017. During the period of his dual consultancy, Domestic Airline Consultant reported to PAC Executive 1.

37. Although Domestic Airline Consultant's agreement with Domestic Airline permitted him to undertake other consultant positions so long as they were not with other airlines, that agreement prohibited him from disclosing confidential information. Despite this prohibition, while Domestic Airline Consultant worked as a consultant for both PAC and Domestic Airline, he

provided non-public, inside, or otherwise sensitive information to PAC Executive 1 and others at PAC, including forwarding internal communications among Domestic Airline's employees about PAC, information about Domestic Airline's negotiations with a PAC competitor, and pricing information of a PAC competitor. Domestic Airline Consultant typically marked communications in which he provided such information with phrases such as "CONFIDENTIAL," "DO NOT FORWARD," or similar statements suggesting the information was confidential or otherwise sensitive.

38. For example, on July 22, 2008, Domestic Airline Consultant emailed several PAC employees, including PAC Executive 1, and provided the price per IFE shipset for two different types of airplanes that one of PAC's competitors had quoted to another airline. Domestic Airline Consultant prefaced his email with the statement "the following information did not come from me. . . ." One PAC employee replied to Domestic Airline Consultant's email, stating "[y]ou always have info which makes me shake my head."

39. On September 23, 2011, Domestic Airline Consultant forwarded to three PAC employees an internal Domestic Airline email chain between Domestic Airline Consultant and various Domestic Airline employees discussing a Domestic Airline employee's questions and concerns about a recent business proposal made by PAC. In so doing, Domestic Airline Consultant provided PAC with a window into the questions Domestic Airline had about PAC's proposal during the course of the negotiations between the two parties. Domestic Airline Consultant stated in the email to PAC employees "please do not let [Domestic Airline] know that you have this from me."

40. Beyond the provision of such inside or otherwise non-public information, Domestic Airline Consultant performed little additional work for PAC. Under the terms of his consultancy agreement with Domestic Airline, Domestic Airline Consultant was responsible for managing the relationship with PAC, including liaising with the engineering and marketing departments of both parties during the execution of IFE and GCS contracts. In addition, Domestic Airline Consultant served on Domestic Airline's team that evaluated bids submitted by PAC and other vendors for contracts to be awarded by Domestic Airline. In particular, during the dual consultancy period, Domestic Airline Consultant served on two bid review teams for IFE contracts that Domestic Airline ultimately awarded to PAC. As such, although Domestic Airline Consultant was not the ultimate decision maker within Domestic Airline on awarding contracts, he had input into Domestic Airline's decision-making process to award business to PAC.

41. Between October 2007 and December 2013, PAC paid Domestic Airline Consultant a total of $825,000 in consultancy payments through Service Provider, which were classified as "consultant payments" on PAC's general ledger, despite the fact that these payments were made in the absence of effective internal accounting controls, including PAC's failure to obtain sufficient documentation to substantiate the nature and appropriate value of the "consulting services" provided by Domestic Airline Consultant. The payments made to Domestic Airline Consultant through Service Provider were ultimately designated as "selling and general administrative expenses" on Panasonic's books, records, and accounts.

42. Between April 2008 and March 2013, PAC earned $22,693,571 in profits attributable to business from Domestic Airline on three different programs for which Domestic

Airline Consultant had some involvement or influence, including, for example, by serving as a member of Domestic Airline's bid review committee.

Concealment of the Use of Sales Agents that Did Not Meet PAC's Diligence Requirements

43. Beginning in at least 1999 and continuing to at least 2016, PAC utilized the services of several third-party sales agents in its China and Asia regions (which PAC designated as separate sales regions between 2008 and 2013) to obtain and manage contracts with state-owned airlines. The commissions PAC paid to such sales agents typically ranged from six to ten percent.

44. PAC failed to put in place adequate controls over its use of sales agents in China and Asia and PAC employees disregarded red flags associated with these sales agents. For example, some of the sales agents were recommended by the state-owned airlines themselves, some sales agents were registered outside of the jurisdiction where they purportedly provided services, and other sales agents were paid outside of the territory where they purportedly provided services. In addition, historically, PAC performed only limited, informal due diligence before retaining third-party sales agents.

45. Beginning in 2007, PAC began strengthening its internal controls over the retention of third parties, ultimately implementing a formal requirement in 2009 that new and existing sales agents, before engaging in new business on behalf of PAC, had to obtain certification from TRACE International, a U.S. non-profit business membership organization that conducts due diligence reviews of international commercial intermediaries. When certain sales agents in the China and Asia regions did not pass the anti-bribery certification, PAC terminated its formal relationship with these agents. Certain PAC employees, however, sought secretly to rehire these agents in contravention of Company policy by rehiring them as "sub-agents" of PAC Sales Agent 2, a sales

agent that had obtained TRACE certification. PAC then relied upon the TRACE certification of PAC Sales Agent 2 to continue working with the sub-agents who had failed, or declined to submit to, the certification process. In such instances, the commission rates paid by PAC to PAC Sales Agent 2 typically increased by 1 to 2 percent.

46. For example, beginning in 2003, PAC retained PAC Sales Agent 3 as a direct sales agent for a state-owned airline in Asia. In 2009, an employee in PAC's contracts department emailed several employees in PAC's Asia region, noting that PAC Sales Agent 3 was "un-responsive on completing and submitting the TRACE Questionnaire" and inquired as to the "plan for getting [PAC Sales Agent 3] to comply." A PAC Asia marketing employee responsible for interacting with PAC Sales Agent 3 replied that PAC Sales Agent 3 did not "seem keen to comply" with the TRACE certification process and requested that a PAC contract with a state-owned airline be transferred from PAC Sales Agent 3 to PAC Sales Agent 2.

47. Although PAC terminated its relationship with PAC Sales Agent 3 in 2009 due to its refusal to comply with PAC's certification requirement, in a series of email communications beginning in early 2007, the PAC Asia marketing employee facilitated the creation of a sub-agent relationship between PAC Sales Agent 3 and PAC Sales Agent 2. Between 2008 and 2010, financial records indicate that PAC sent $3,780,198.65 to PAC Sales Agent 2 for the benefit of PAC Sales Agent 3.

48. In 2010, the same PAC Asia marketing employee again endeavored to undermine PAC's efforts to obtain TRACE certification for its sales agents. In 2009, the owners of a consulting company which had previously served as a direct sales agent for PAC in the Asia region incorporated a new company, PAC Sales Agent 4, which the marketing employee sought to use as

a sales agent for PAC to obtain and manage business for a state-owned airline in Vietnam. After the marketing employee was advised by PAC's contracts department that the TRACE due diligence report for PAC Sales Agent 4 "raise[d] issues under the FCPA" because one of its owners "could be considered a 'foreign official' under the Foreign Corrupt Practices Act," the marketing employee used his personal email account to contact a representative of the consulting company, suggesting that the two of them would "need to find another avenue" to engage PAC Sales Agent 4 if PAC's legal department did not approve of the relationship as a result of the TRACE report.

49. In May 2011, PAC Executive 2 received a lengthy email from a senior employee in PAC's China region expressing a number of concerns, among them that the employee had "little or no visibility" into the management of PAC's sales agents in the region. Specifically, the director noted that PAC "continues to place many programs with [PAC Sales Agent 2]" and that he was "very surprised to see that many airlines in Asia are represented by this company (it appears as many as 47 programs)." Despite this email, PAC Executive 2 and others took no action to prevent the continued use of PAC Sales Agent 2 to funnel payments to other sales agents.

50. In total, between 2008 and April 22, 2013, financial records indicate that PAC Sales Agent 2 received at least $7,182,972 from PAC for the benefit of thirteen different sub-agents, including PAC Sales Agent 3. These payments were improperly booked as commission payments to PAC Sales Agent 2, when in fact they were payments to other sales agents who were otherwise ineligible to work with PAC. PAC then caused Panasonic likewise to falsify its books and records in connection with these payments. PAC terminated its relationship with PAC Sales Agent 2 in March of 2015.

Causing Panasonic to Falsify Its Books, Records, and Accounts

51. During the relevant time period, PAC caused Panasonic to falsify its books, records, and accounts in connection with the improper retention of consultants through the Office of the President Budget, the payment of such consultants through Service Provider, and the concealment of the continued use of certain sales agents in China and Asia. Specifically, as noted above, the $875,000 in consulting payments made to Foreign Official through Service Provider were falsely classified as "consultant payments" on PAC's general ledger and ultimately as "selling and general administrative expenses" on Panasonic's books, records, and accounts. In addition, the $7,182,972 in payments PAC paid to PAC Sales Agent 2 for the benefit of at least thirteen different sub-agents were improperly booked by PAC as commission payments to PAC Sales Agent 2, when in fact they were payments to other sales agents who were otherwise ineligible to work with PAC. PAC then caused these payments to likewise be falsely recorded in Panasonic's books, records, and accounts.

52. Furthermore, as a wholly-owned subsidiary of Panasonic, PAC was required to provide representations and certifications to Panasonic about PAC's financials and financial controls. Specifically, PAC was required to provide certifications of PAC's financial statements for Sarbanes-Oxley consolidation purposes (the "subcertifications") at the end of each fiscal year. In relevant part, the subcertifications required PAC Executive 1 to certify that "no deficiencies have been identified and the internal control[s] over financial reporting have effectively functioned in [the] company." For each of the fiscal years ending on March 31st between 2010 and 2013, PAC Executive 1 signed the subcertifications but failed to report PAC's improper retention of Foreign Official and Domestic Airline Consultant and the payments to those consultants made

through Service Provider, despite PAC Executive 1's knowledge of PAC's relationship with, and payments to, Foreign Official and Domestic Airline Consultant in the absence of such internal controls.

53. In each of the fiscal years ending on March 31st between 2010 and 2012, PAC Executive 2 signed the subcertifications on behalf of his department despite (a) PAC Executive 2's knowledge of PAC's consulting relationship with Foreign Official; (b) PAC Executive 2's receipt of the Selected Vendor Audit Report in 2010, which made him aware of PAC's improper retention of consultants through the Office of the President Budget, including Foreign Official, and the payments to those consultants made through Service Provider; and (c) PAC Executive 2's receipt of an email highlighting the excessive number of airlines represented by PAC Sales Agent 2.

54. Finally, for each of the fiscal years ending on March 31st in 2011 and 2012, PAC Executive 3 signed the subcertifications on behalf of PAC's finance department, and, similarly, for the fiscal year ending March 31, 2013, PAC Executive 4 signed the subcertification on behalf of PAC's finance department. Both PAC Executive 3 and PAC Executive 4 signed these subcertifications despite PAC Executive 3's receipt of the Selected Vendor Audit Report in 2010 and 2011 and PAC Executive 4's receipt of the Selected Vendor Audit Report in 2012, which made them both aware of PAC's improper retention of consultants through the Office of the President Budget, including Foreign Official, and the payments to those consultants made through Service Provider.

ATTACHMENT B

CERTIFICATE OF CORPORATE RESOLUTIONS

WHEREAS, Panasonic Avionics Corporation (the "Company") has been engaged in discussions with the United States Department of Justice, Criminal Division, Fraud Section (the "Fraud Section") regarding issues arising in relation to false booked payments, certifications, and other records; and

WHEREAS, in order to resolve such discussions, it is proposed that the Company enter into a certain agreement with the Fraud Section; and

WHEREAS, the Company's President and Chief Executive Officer, Hideo Nakano, together with outside counsel for the Company, have advised the Board of Directors of the Company of its rights, possible defenses, the Sentencing Guidelines' provisions, and the consequences of entering into such agreement with the Fraud Section;

Therefore, the Board of Directors has RESOLVED that:

1. The Company (a) acknowledges the filing of the one-count Information charging the Company with the knowing and willful falsification of the books, records, and accounts of its parent company Panasonic Corporation, in violation of, Title 15, United States Code, Sections 78m(b)(2)(A), (b)(4), (b)(5), and 78ff(a); (b) waives indictment on such charges and enters into a deferred prosecution agreement with the Fraud Section; and (c) agrees to accept a monetary penalty against Company totaling $137,403,812, and to pay such penalty to the United States Treasury with respect to the conduct described in the Information;

2. The Company accepts the terms and conditions of this Agreement, including, but not limited to, (a) a knowing waiver of its rights to a speedy trial pursuant to the Sixth Amendment

to the United States Constitution, Title 18, United States Code, Section 3161, and Federal Rule of Criminal Procedure 48(b); and (b) a knowing waiver for purposes of this Agreement and any charges by the United States arising out of the conduct described in the Statement of Facts of any objection with respect to venue and consents to the filing of the Information, as provided under the terms of this Agreement, in the United States District Court for the District of Columbia; and

(c) a knowing waiver of any defenses based on the statute of limitations for any prosecution relating to the conduct described in the Statement of Facts or relating to conduct known to the Fraud Section prior to the date on which this Agreement was signed that is not time-barred by the applicable statute of limitations on the date of the signing of this Agreement;

3. The President and Chief Executive Officer of Company, Hideo Nakano, is hereby authorized, empowered and directed, on behalf of the Company, to execute the Deferred Prosecution Agreement substantially in such form as reviewed by this Board of Directors with such changes as the President and Chief Executive Officer of Company, Hideo Nakano, may approve;

4. The President and Chief Executive Officer of Company, Hideo Nakano, 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

5. All of the actions of the President and Chief Executive Officer of Company, Hideo Nakano, 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.

Date: 4/26/18

By: Corporate Secretary
Panasonic Avionics Corporation

ATTACHMENT C

CORPORATE COMPLIANCE PROGRAM

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

Where necessary and appropriate, the Company agrees to modify its compliance program, including internal controls, compliance policies, and procedures in order to ensure that it maintains: (a) an effective system of internal accounting controls designed to ensure the making and keeping of fair and accurate books, records, and accounts; and (b) a rigorous anti-corruption compliance program that incorporates relevant internal accounting controls, as well as policies and procedures designed to effectively detect and deter violations of the FCPA and other applicable anti-corruption laws. At a minimum, this should include, but not be limited to, the following elements to the extent they are not already part of the Company's existing internal controls, compliance code, policies, and procedures:

High-Level Commitment

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

Policies and Procedures

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

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

a. gifts;

b. hospitality, entertainment, and expenses;

c. customer travel;

d. political contributions;

e. charitable donations and sponsorships;

f. facilitation payments; and

g. solicitation and extortion.

4. The Company will ensure that it has a system of financial and accounting procedures, including a system of internal controls, reasonably designed to ensure the maintenance of fair and accurate books, records, and accounts. This system should be designed to provide reasonable assurances that:

a. transactions are executed in accordance with management's general or specific authorization;

b. transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets;

c. access to assets is permitted only in accordance with management's general or specific authorization; and

d. the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Periodic Risk-Based Review

5. The Company will develop these compliance policies and procedures on the basis of a periodic risk assessment addressing the individual circumstances of the Company, in particular the foreign bribery risks facing the Company, including, but not limited to, its geographical organization, interactions with various types and levels of government officials, industrial sectors of operation, involvement in joint venture arrangements, importance of licenses

and permits in the Company's operations, degree of governmental oversight and inspection, and volume and importance of goods and personnel clearing through customs and immigration.

6. The Company shall review its anti-corruption compliance policies and procedures no less than annually and update them as appropriate to ensure their continued effectiveness, taking into account relevant developments in the field and evolving international and industry standards.

Proper Oversight and Independence

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

Training and Guidance

8. The Company will implement mechanisms designed to ensure that its anti-corruption compliance code, policies, and procedures 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 directors and officers, all employees in positions of leadership or trust, positions that require such training (e.g., internal audit, sales, legal, compliance, finance), or positions that otherwise pose a corruption risk to the Company, and, where necessary and appropriate, agents and business partners; and (b)

corresponding certifications by all such directors, officers, employees, agents, and business partners, certifying compliance with the training requirements.

9. The Company will maintain, or where necessary establish, an effective system for providing guidance and advice to directors, officers, employees, and, where necessary and appropriate, agents and business partners, on complying with the Company's anti-corruption compliance code, policies, and procedures, including when they need advice on an urgent basis or in any foreign jurisdiction in which the Company operates.

Internal Reporting and Investigation

10. The Company will maintain, or where necessary establish, an effective system for internal and, where possible, confidential reporting by, and protection of, directors, officers, employees, and, where appropriate, agents and business partners concerning violations of the anti-corruption laws or the Company's anti-corruption compliance code, policies, and procedures.

11. The Company will maintain, or where necessary establish, an effective and reliable process with sufficient resources for responding to, investigating, and documenting allegations of violations of the anti-corruption laws or the Company's anti-corruption compliance code, policies, and procedures.

Enforcement and Discipline

12. The Company will implement mechanisms designed to effectively enforce its compliance code, policies, and procedures, including appropriately incentivizing compliance and disciplining violations.

13. The Company will institute appropriate disciplinary procedures to address, among other things, violations of the anti-corruption laws and the Company's anti-corruption compliance code, policies, and procedures by the Company's directors, officers, and employees. Such procedures should be applied consistently and fairly, regardless of the position held by, or perceived importance of, the director, officer, or employee. The Company shall implement procedures to ensure that where misconduct is discovered, reasonable steps are taken to remedy the harm resulting from such misconduct, and to ensure that appropriate steps are taken to prevent further similar misconduct, including assessing the internal controls, compliance code, policies, and procedures and making modifications necessary to ensure the overall anti-corruption compliance program is effective.

Third-Party Relationships

14. The Company will institute appropriate risk-based due diligence and compliance requirements pertaining to the retention and oversight of all agents and business partners, including:

a. properly documented due diligence pertaining to the hiring and appropriate and regular oversight of agents and business partners;

b. informing agents and business partners of the Company's commitment to abiding by anti-corruption laws, and of the Company's anti-corruption compliance code, policies, and procedures; and

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

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

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

Mergers and Acquisitions

16. The Company will develop and implement policies and procedures for mergers and acquisitions requiring that the Company conduct appropriate risk-based due diligence on potential new business entities, including appropriate FCPA and anti-corruption due diligence by legal, accounting, and compliance personnel.

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

a. train the directors, officers, employees, agents, and business partners consistent with Paragraph 8 above on the anti-corruption laws and the Company's compliance code, policies, and procedures regarding anti-corruption laws; and

b. where warranted, conduct an FCPA-specific audit of all newly acquired or merged businesses as quickly as practicable.

Monitoring and Testing

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

ATTACHMENT D

INDEPENDENT COMPLIANCE MONITOR

The duties and authority of the Independent Compliance Monitor (the "Monitor"), and the obligations of Panasonic Avionics Corporation (the "Company"), on behalf of itself and its subsidiaries and affiliates, with respect to the Monitor and the United States Department of Justice, Criminal Division, Fraud Section (the "Fraud Section"), are as described below:

1. The Company will retain the Monitor for a period of not less than two years (the "Term of the Monitorship"), unless the early termination provisions of Paragraph 3 of the Deferred Prosecution Agreement (the "Agreement") are triggered. Subject to certain conditions specified below that would, in the sole discretion of the Fraud Section, allow for an extension of the Term of the Monitorship, the Monitor shall be retained until the criteria in Paragraphs 19 and 20 below are satisfied or the Agreement expires, whichever occurs first.

Monitor's Mandate

2. The Monitor's primary responsibility is to assess and monitor the Company's compliance with the terms of the Agreement, including the Corporate Compliance Program in Attachment C, so as to specifically address and reduce the risk of any recurrence of the Company's misconduct. During the Term of the Monitorship, the Monitor will evaluate, in the manner set forth below, the effectiveness of the internal accounting controls, record-keeping, and financial reporting policies and procedures of the Company as they relate to the Company's current and ongoing compliance with the FCPA and other applicable anti-corruption laws (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"). This Mandate shall include

an assessment of the Board of Directors' and senior management's commitment to, and effective implementation of, the corporate compliance program described in Attachment C of the Agreement.

Company's Obligations

3. The Company shall cooperate fully with the Monitor, and the Monitor shall have the authority to take such reasonable steps as, in his or her view, may be necessary to be fully informed about the Company's compliance program in accordance with the principles set forth herein and applicable law, including applicable data protection and labor laws and regulations. To that end, the Company shall: facilitate the Monitor's access to the Company's documents and resources; not limit such access, except as provided in Paragraphs 5 and 6; and provide guidance on applicable local law (such as relevant data protection and labor laws). The Company shall provide the Monitor with access to all information, documents, records, facilities, and employees, as reasonably requested by the Monitor, that fall within the scope of the Mandate of the Monitor under the Agreement. The Company shall use its best efforts to provide the Monitor with access to the Company's former employees and its third-party vendors, agents, and consultants.

4. Any disclosure by the Company to the Monitor concerning corrupt payments shall not relieve the Company of any otherwise applicable obligation to truthfully disclose such matters to the Fraud Section, pursuant to the Agreement.

Withholding Access

5. The parties agree that no attorney-client relationship shall be formed between the Company and the Monitor. In the event that the Company seeks to withhold from the Monitor

access to information, documents, records, facilities, or current or former employees of the Company that may be subject to a claim of attorney-client privilege or to the attorney work-product doctrine, or where the Company reasonably believes production would otherwise be inconsistent with applicable law, the Company shall work cooperatively with the Monitor to resolve the matter to the satisfaction of the Monitor.

6. If the matter cannot be resolved, at the request of the Monitor, the Company shall promptly provide written notice to the Monitor and the Fraud Section. Such notice shall include a general description of the nature of the information, documents, records, facilities, or current or former employees that are being withheld, as well as the legal basis for withholding access. The Fraud Section may then consider whether to make a further request for access to such information, documents, records, facilities, or employees.

Monitor's Coordination with the Company and Review Methodology

7. In carrying out the Mandate, to the extent appropriate under the circumstances, the Monitor should coordinate with Company personnel, including in-house counsel, compliance personnel, and internal auditors, on an ongoing basis. The Monitor may rely on the product of the Company's processes, such as the results of studies, reviews, sampling and testing methodologies, audits, and analyses conducted by or on behalf of the Company, as well as the Company's internal resources (e.g., legal, compliance, and internal audit), which can assist the Monitor in carrying out the Mandate through increased efficiency and Company-specific expertise, provided that the Monitor has confidence in the quality of those resources.

8. The Monitor's reviews should use a risk-based approach, and thus, the Monitor is not expected to conduct a comprehensive review of all business lines, all business activities, or

all markets. In carrying out the Mandate, the Monitor should consider, for instance, risks presented by: (a) the countries and industries in which the Company operates; (b) current and future business opportunities and transactions; (c) current and potential business partners, including third parties and joint ventures, and the business rationale for such relationships; (d) the Company's gifts, travel, and entertainment interactions with foreign officials; and (e) the Company's involvement with foreign officials, including the amount of foreign government regulation and oversight of the Company, such as licensing and permitting, and the Company's exposure to customs and immigration issues in conducting its business affairs.

9. In undertaking the reviews to carry out the Mandate, the Monitor shall formulate conclusions based on, among other things: (a) inspection of relevant documents, including the Company's current anti-corruption policies and procedures; (b) on-site observation of selected systems and procedures of the Company at sample sites, including internal accounting controls, record-keeping, and internal audit procedures; (c) meetings with, and interviews of, relevant current and, where appropriate, former directors, officers, employees, business partners, agents, and other persons at mutually convenient times and places; and (d) analyses, studies, and testing of the Company's compliance program.

Monitor's Written Work Plans

10. 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 at least one follow-up review and report as described in Paragraphs 16 through 18 below. With respect to the initial report, after consultation with the Company and the Fraud Section, the Monitor shall prepare the first written work plan within thirty calendar days of being retained, and the Company and the Fraud

Section shall provide comments within fifteen calendar days after receipt of the written work plan. With respect to each follow-up report, after consultation with the Company and the Fraud Section, the Monitor shall prepare a written work plan at least thirty calendar days prior to commencing a review, and the Company and the Fraud Section shall provide comments within fifteen calendar days after receipt of the written work plan. Any disputes between the Company and the Monitor with respect to any written work plan shall be decided by the Fraud Section in its sole discretion.

11. All written work plans shall identify with reasonable specificity the activities the Monitor plans to undertake in execution of the Mandate, including a written request for documents. 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 by 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 the Agreement. In developing such understanding the Monitor is to rely to the extent possible on available information and documents provided by the Company. It is not intended that the Monitor will conduct his or her own inquiry into the historical events that gave rise to the Agreement.

Initial Review

12. The initial review shall commence no later than sixty calendar days from the date of the engagement of the Monitor (unless otherwise agreed by the Company, the Monitor, and the Fraud Section). The Monitor shall issue a written report within one hundred twenty calendar days of commencing the initial review, setting forth the Monitor's assessment and, if necessary,

making recommendations reasonably designed to improve the effectiveness of the Company's program for ensuring compliance with the anti-corruption laws. The Monitor should consult with the Company concerning his or her findings and recommendations on an ongoing basis and should consider the Company's comments and input to the extent the Monitor deems appropriate. The Monitor may also choose to share a draft of his or her reports with the Company and the Fraud Section prior to finalizing them. The Monitor's reports need not recite or describe comprehensively the Company'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, if any, for improvement or which the Monitor otherwise concludes merit particular attention. The Monitor shall provide the report to the Board of Directors of the Company and contemporaneously transmit copies to: Chief of the FCPA Unit, Fraud Section, Criminal Division, U.S. Department of Justice, 1400 New York Avenue, N.W., Washington, D.C. 20005. After consultation with the Company, the Monitor may extend the time period for issuance of the initial report for a brief period of time with prior written approval of the Fraud Section.

13. Within one hundred twenty calendar days after receiving the Monitor's initial report, the Company shall adopt and implement all recommendations in the report, unless, within fifteen calendar days of receiving the report, the Company notifies in writing the Monitor and the Fraud Section of any recommendations that the Company considers unduly burdensome, inconsistent with applicable law or regulation, impractical, excessively expensive, or otherwise inadvisable. With respect to any such recommendation, the Company need not adopt that recommendation within one hundred twenty calendar days of receiving the report but shall

propose in writing to the Monitor and the Fraud Section an alternative policy, procedure, or system designed to achieve the same objective or purpose. As to any recommendation on which the Company and the Monitor do not agree, such parties shall attempt in good faith to reach an agreement within fifteen calendar days after the Company serves the written notice.

14. In the event the Company and the Monitor are unable to agree on an acceptable alternative proposal, the Company shall promptly consult with the Fraud Section. The Fraud Section may consider the Monitor's recommendation and the Company's reasons for not adopting the recommendation in determining whether the Company has fully complied with its obligations under the Agreement. Pending such determination, the Company shall not be required to implement any contested recommendation(s).

15. With respect to any recommendation that the Monitor determines cannot reasonably be implemented within one hundred twenty calendar days after receiving the report, the Monitor may extend the time period for implementation with prior written approval of the Fraud Section.

Follow-Up Review

16. The follow-up review shall commence no later than ninety calendar days after the issuance of the initial report (unless otherwise agreed by the Company, the Monitor and the Fraud Section). The Monitor shall issue a written follow-up report within one hundred twenty calendar days of commencing the follow-up review, setting forth the Monitor's assessment and, if necessary, making recommendations in the same fashion as set forth in Paragraph 12 with respect to the initial review. The Monitor shall also certify whether the Company's compliance program, including its policies and procedures, is reasonably designed and implemented to

prevent and detect violations of the anti-corruption laws. After consultation with the Company, the Monitor may extend the time period for issuance of the follow-up report for a brief period of time with prior written approval of the Fraud Section.

17. Within ninety calendar days after receiving the Monitor's follow-up report, the Company shall adopt and implement all recommendations in the report, unless, within fifteen calendar days after receiving the report, the Company notifies in writing the Monitor and the Fraud Section concerning any recommendations that the Company considers unduly burdensome, inconsistent with applicable law or regulation, impractical, excessively expensive, or otherwise inadvisable. With respect to any such recommendation, the Company need not adopt that recommendation within the ninety calendar days of receiving the report but shall propose in writing to the Monitor and the Fraud Section an alternative policy, procedure, or system designed to achieve the same objective or purpose. As to any recommendation on which the Company and the Monitor do not agree, such parties shall attempt in good faith to reach an agreement within fifteen calendar days after the Company serves the written notice.

18. In the event the Company and the Monitor are unable to agree on an acceptable alternative proposal, the Company shall promptly consult with the Fraud Section. The Fraud Section may consider the Monitor's recommendation and the Company's reasons for not adopting the recommendation in determining whether the Company has fully complied with its obligations under the Agreement. Pending such determination, the Company shall not be required to implement any contested recommendation(s).

Certification of Compliance
and Termination of the Monitorship

19. At the conclusion of the ninety calendar day period following the issuance of the follow-up report, if the Monitor believes that the Company's compliance program is reasonably designed and implemented to detect and prevent violations of the anti-corruption laws and is functioning effectively, the Monitor shall certify the Company's compliance with its compliance obligations under the Agreement. The Monitor shall then submit to the Fraud Section a written report ("Certification Report") within sixty calendar days. The Certification Report shall set forth an overview of the Company's remediation efforts to date, including the implementation status of the Monitor's recommendations, and an assessment of the sustainability of the Company's remediation efforts. The Certification Report should also recommend the scope of the Company's future self-reporting. Also at the conclusion of the ninety calendar day period following the issuance of the follow-up report, the Company shall certify in writing to the Fraud Section, with a copy to the Monitor, that the Company has adopted and implemented all of the Monitor's recommendations in the initial and follow-up report(s), or the agreed-upon alternatives. The Monitor or the Company may extend the time period for issuance of the Certification Report or the Company's certification, respectively, with prior written approval of the Fraud Section.

20. At such time as the Fraud Section approves the Certification Report and the Company's certification, the monitorship shall be terminated, and the Company will be permitted to self-report to the Fraud Section on its enhanced compliance obligations for the remainder of the term of the Agreement. The Fraud Section, however, reserves the right to terminate the

monitorship absent certification by the Monitor, upon a showing by the Company that termination is, nevertheless, in the interests of justice.

21. If permitted to self-report to the Fraud Section, the Company shall thereafter submit to the Fraud Section a written report every six months setting forth a complete description of its remediation efforts to date, its proposals to improve the Company's internal accounting controls, policies, and procedures for ensuring compliance with the anti-corruption laws, and the proposed scope of the subsequent reviews. The report shall be transmitted to: Chief of the FCPA Unit, Fraud Section, Criminal Division, U.S. Department of Justice, 1400 New York Avenue, N.W., Washington, D.C. 20005. The Company may extend the time period for issuance of the self-report with prior written approval of the Fraud Section.

Extension of the Term of the Monitorship

22. If, however, at the conclusion of the ninety calendar-day period following the issuance of the follow-up report, the Fraud Section concludes that the Company has not by that time successfully satisfied its compliance obligations under the Agreement, the Term of the Monitorship shall be extended for one year.

23. Under such circumstances, the Monitor shall commence the second follow-up review no later than sixty calendar days after the Fraud Section concludes that the Company has not successfully satisfied its compliance obligations under the Agreement (unless otherwise agreed by the Company, the Monitor, and the Fraud Section). The Monitor shall issue a written follow-up report within one hundred twenty calendar days of commencing the second follow-up review in the same fashion as set forth in Paragraph 12 with respect to the initial review and in accordance with the procedures for follow-up reports set forth in Paragraphs 16 through 18. A

determination to terminate the monitorship shall then be made in accordance with Paragraphs 19 through 20.

24. If, after completing the second follow-up review, the Fraud Section again concludes that the Company has not successfully satisfied its obligations under the Agreement with respect to the Monitor's Mandate, the Term of the Monitorship shall be extended until expiration of the Agreement, and the Monitor shall commence a third follow-up review within sixty calendar days after the Fraud Section concludes that the Company has not successfully satisfied its compliance obligations under the Agreement (unless otherwise agreed by the Company, the Monitor, and the Fraud Section). The Monitor shall issue a written follow-up report within one hundred twenty calendar days of commencing the third follow-up review in the same fashion as set forth in Paragraph 12 with respect to the initial review and in accordance with the procedures for follow-up reports set forth in Paragraphs 16 through 18.

Monitor's Discovery of Potential or Actual Misconduct

25. (a) Except as set forth below in sub-paragraphs (b) and (c), should the Monitor discover during the course of his or her engagement that improper payments or anything else of value may have been offered, promised, made, or authorized by any entity or person within the Company or any entity or person working, directly or indirectly, for or on behalf of the Company ("Potential Misconduct"), the Monitor shall immediately report the Potential Misconduct to the Company's General Counsel, Chief Compliance Officer, and/or Audit Committee for further action, unless the Potential Misconduct was already so disclosed. The Monitor also may report Potential Misconduct to the Fraud Section at any time, and shall report Potential Misconduct to the Fraud Section when it requests the information.

(b) If the Monitor believes that any Potential Misconduct actually occurred or may constitute a criminal or regulatory violation ("Actual Misconduct"), the Monitor shall immediately report the Actual Misconduct to the Fraud Section. When the Monitor discovers Actual Misconduct, the Monitor shall disclose the Actual Misconduct solely to the Fraud Section, and, in such cases, disclosure of the Actual Misconduct to the General Counsel, Chief Compliance Officer, and/or the Audit Committee of the Company should occur as the Fraud Section and the Monitor deem appropriate under the circumstances.

(c) The Monitor shall address in his or her reports the appropriateness of the Company's response to disclosed Potential Misconduct or Actual Misconduct, whether previously disclosed to the Fraud Section or not. Further, if the Company or any entity or person working directly or indirectly on behalf of the Company withholds information necessary for the performance of the Monitor's responsibilities and the Monitor believes that such withholding is without just cause, the Monitor shall also immediately disclose that fact to the Fraud Section and address the Company's failure to disclose the necessary information in his or her reports.

(d) Neither the Company nor anyone acting on its behalf shall take any action to retaliate against the Monitor for any such disclosures or for any other reason.

Meetings During Pendency of Monitorship

26. The Monitor shall meet with the Fraud Section within thirty calendar days after providing each report to the Fraud Section to discuss the report, to be followed by a meeting between the Fraud Section, the Monitor, and the Company.

27. At least annually, and more frequently if appropriate, representatives from the Company and the Fraud Section will meet together to discuss the monitorship and any

suggestions, comments, or improvements the Company may wish to discuss with or propose to the Fraud Section, including with respect to the scope or costs of the monitorship.

Contemplated Confidentiality of Monitor's Reports

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