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Armor Holdings Agrees to Pay $10.2 Million Criminal Penalty to Resolve Violations of the Foreign Corrupt Practices Act

WASHINGTON – Armor Holdings Inc. has entered into an agreement with the Department of Justice to pay a $10.29 million penalty to resolve violations of the Foreign Corrupt Practices Act (FCPA), announced Assistant Attorney General Lanny A. Breuer of the Criminal Division and Assistant Director in Charge James W. McJunkin of the FBI’s Washington Field Office.

According to the non-prosecution agreement, at the time of the conduct at issue, Armor was headquartered in Jacksonville, Fla., and was listed on the New York Stock Exchange. At that time, the company manufactured security products, vehicle armor systems, protective equipment and other products primarily for use by military, law enforcement, security and corrections personnel. On July 31, 2007, Armor was acquired by BAE Systems Inc. and is currently a subsidiary of BAE.

According to the agreement, Armor accepts responsibility for its subsidiary’s payment of more than $200,000 in commissions to a third-party sales agent, a portion of which it knew was to be passed on to a U.N. procurement official to induce the official to award two separate U.N. contracts to Armor’s subsidiary. The contracts were for the sale of approximately $6 million of body armor. Armor also acknowledged that it falsely recorded the commission payments on its books and records. In addition, Armor admitted that it kept off its books and records approximately $4.4 million in additional payments to agents and other third-party intermediaries used by its Products Group to assist it in obtaining business from foreign government customers. Armor acknowledged that it failed to devise and maintain an appropriate system of internal accounting controls.

In a related matter, Armor reached a settlement today with the U.S. Securities and Exchange Commission (SEC) and agreed to pay more than $5.69 million in disgorgement of profits, including pre-judgment interest, and a civil money penalty.

The Justice Department’s agreement recognizes Armor’s complete voluntary disclosure of the conduct; its internal investigation and cooperation with the department and the SEC; the fact that the conduct took place prior to the acquisition of Armor by BAE; and Armor’s extensive remedial efforts undertaken before and after its acquisition by BAE. Due to Armor’s implementation of BAE’s due diligence protocols and review processes, its application of BAE’s compliance policies and internal controls to all Armor businesses, its extensive remediation and improvement of its compliance systems and internal controls, as well as the enhanced compliance undertakings included in the agreement, Armor is not required to retain a corporate monitor. Armor will be required to report to the department on implementation of its remediation and enhanced compliance efforts every six months for the duration of the agreement.

In addition to the $10.29 million penalty, the agreement requires that Armor continue to implement rigorous internal controls and that it cooperate fully with the department.

This case is being handled by Trial Attorney Laura Perkins of the Criminal Division’s Fraud Section with assistance from the FBI’s Washington Field Office’s dedicated FCPA squad.

The Justice Department acknowledges and expresses its appreciation for the assistance provided by the SEC’s Division of Enforcement.

Additional information about the Justice Department’s FCPA enforcement efforts can be found at www.justice.gov/criminal/fraud/fcpa