SEC Charges Armor Holdings, Inc. With FCPA Violations in Connection With Sales to the United Nations

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Washington, D.C., July 13, 2011 – The Securities and Exchange Commission charged Armor Holdings, Inc. with violating the Foreign Corrupt Practices Act (FCPA) by participating in a bribery scheme from 2001 through 2006 to obtain contracts to supply body armor for use in United Nations (U.N.) peacekeeping missions. The SEC also charged Armor Holdings, a Florida-based manufacturer of military and law enforcement safety equipment, with failing to properly account for more than $4 million in commissions from 2001 through 2007 in violation of the books and records and internal controls provisions of the federal securities laws.

Additional Materials
› SEC Complaint
› Litigation Release No. 22037

Armor Holdings agreed to settle the SEC’s charges by paying nearly $5.7 million in disgorgement, prejudgment interest, and penalties. Armor Holdings also agreed to pay a $10.29 million fine to settle a parallel criminal investigation announced by the U.S. Department of Justice today. Since 2010, the SEC has filed 32 FCPA cases, including the case against Armor Holdings, and obtained more than $600 million in penalties, disgorgement and interest.

“Illicit payments to U.N. officials are no less reprehensible than bribes to foreign government officials,” said Robert Khuzami, Director of the SEC’s Division of Enforcement. “The important process of selecting body armor for peace keepers should not be affected by which company pays the best bribes.”

Gerald W. Hodgkins, Associate Director of the SEC’s Division of Enforcement, added, “Armor failed to maintain adequate internal controls to prevent its subsidiary from making illegal payments to win U.N. supply contracts. Just as troubling, Armor improperly accounted for sales commissions for several years even after being warned that the accounting treatment was wrong.”

The SEC’s complaint alleges that certain agents of Armor Holdings caused its U.K. subsidiary to wire at least 92 payments, totaling approximately $222,750 to a third-party intermediary, with the understanding that part of these payments would be offered to a U.N. official who could help steer business to Armor Holdings’ U.K. subsidiary. The complaint alleges that agents of Armor Holdings caused its U.K. subsidiary to enter into a sham consulting agreement with the intermediary for purportedly providing legitimate services in connection with the sale of goods to the U.N. The complaint alleges that, through this bribery scheme, Armor Holdings
derived gross revenues of $7,121,237, and net profits of $1,552,306.

The SEC alleges that another Armor Holdings subsidiary disguised in its books and records commissions paid to intermediaries who brokered the sale of goods to foreign governments. Even after being warned by internal and external accountants that this practice violated U.S. Generally Accepted Accounting Principles, Armor Holdings’ subsidiary continued the improper accounting practice. As a result, approximately $4 million in commissions was not properly disclosed in the books and records of the company.

On July 31, 2007, after the conduct alleged in the SEC’s complaint had occurred, Armor Holdings was acquired by BAE Systems, Inc., an indirect wholly owned U.S. subsidiary of Britain’s BAE Systems PLC. Accordingly, Armor Holdings is no longer an issuer of securities.

The SEC’s complaint charges Armor Holdings with violating Sections 30A, 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934. Without admitting or denying the allegations, Armor Holdings consented to the entry of a permanent injunction against further violations and agreed to pay $1,552,306 in disgorgement, $458,438 in prejudgment interest, and a civil money penalty of $3,680,000. Armor Holdings also agreed to comply with certain undertakings regarding its FCPA compliance program. The settlement is subject to court approval. Armor Holdings conducted a thorough investigation to determine the scope of the improper payments and cooperated with the SEC’s inquiry.

Richard J. Kutchey and Gregory G. Faragasso conducted the SEC’s investigation. The Commission acknowledges the assistance of the Fraud Section of DOJ’s Criminal Division and the Federal Bureau of Investigation. The SEC’s investigation is continuing.

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