



U.S. Office of Justice

*United States Attorney
District of Connecticut*

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March 28, 2014

Thomas J. Murphy, Esq.
Cowdery, Ecker & Murphy, LLC
280 Trumbull St., 22nd floor
Hartford, CT 06103

Re: Manafort Brothers, Incorporated

Dear Attorney Murphy:

This letter sets forth the Non-Prosecution Agreement (“Agreement”) between the United States Attorney’s Office for the District of Connecticut (“Office”) and Manafort Brothers, Incorporated (“MBI”), a Connecticut-based corporation. MBI, by its duly authorized representative, acting pursuant to the authority granted by MBI’s Board of Directors, enters into this Agreement.

This Office has notified MBI that, based upon an investigation by this Office and the United States Department of Transportation – Office of Inspector General, in its view, MBI violated federal law in 2007 and 2008 by failing to comply with federal regulations governing the Federal Highways Administration’s Disadvantaged Business Enterprise (“DBE”) program. In the Government’s view, MBI’s failure to properly monitor and insure compliance with the DBE regulations resulted in the submission of false information to the United States and the State of Connecticut, and improperly deprived certified DBE companies operating in the State of Connecticut of their lawful opportunities to participate in the publicly funded relocation of Route 72 in Plainville, Connecticut (the “Project”). MBI does not admit the Government’s investigative findings as set forth in the Disputed Facts section of the Statement of Facts. However, MBI acknowledges that it caused false statements to be submitted to state and federal agencies concerning MBI’s satisfaction of DBE requirements, in that MBI reported to the Connecticut Department of Transportation (“ConnDOT”) that Company #1 was performing certain commercially useful functions that, in fact, Company # 1 was not

performing, as detailed in the Undisputed Facts section of the Statement of Facts in Attachment A.

In exchange for a non-prosecution agreement, the parties have agreed to the following terms and conditions:

Non-Prosecution for Criminal Liability

1. The Office agrees not to prosecute MBI for any crimes committed by MBI relating to the Project, including, but not limited to, conspiracy, 18 U.S.C. § 371; false statements to the United States Office of Transportation, 18 U.S.C. § 1001; mail fraud, 18 U.S.C. §1341; and wire fraud, 18 U.S.C. §1343. This Paragraph does not provide any protection against prosecution for illegal activities, if any, committed in the future by MBI, nor does it apply to any illegal conduct that may have occurred in the past which is not described in the Statement of Facts attached hereto as Attachment A. In addition, this Paragraph does not provide any protection against criminal prosecution of any present or former director, officer, employee, agent or consultant of MBI for any violations committed by them.

Breach of Agreement

2. If the Office determines, in its sole discretion, that MBI or any of its employees, officers or directors have failed to comply with or knowingly violated any provision of this Agreement; have provided deliberately false, incomplete, or misleading information under this Agreement; or have violated any federal criminal laws during the term of this Agreement, MBI will be deemed to be in breach of this Agreement, and MBI shall, thereafter, be subject to prosecution for crimes committed by and through its employees related to the Project.

3. For purposes of applying paragraph 2 above, the Office expressly acknowledges that MBI and its personnel may contend, as MBI does in the Statement of Facts, that MBI's DBE submissions to ConnDOT relating to the Project were permitted by ConnDOT. To the extent any MBI personnel provide any such information in the course of any future investigation or prosecution related to this matter, MBI shall not thereby be deemed to have caused a breach of MBI's obligations under this Agreement.

4. The Office shall provide written notice to MBI of the alleged breach, and MBI shall then have fifteen (15) days from the date of receipt of such notice in which to make a presentation to the Office to demonstrate that no such breach has occurred; to the extent relevant, that such breach was cured; or, that the Office should neither revoke the Agreement nor prosecute MBI.

5. MBI further understands and agrees the Office's exercise of discretion under the preceding paragraphs is not subject to review in any court or tribunal outside the Office, and that any prosecution following such a determination may be premised on any information provided by MBI and its employees, officers and directors to the Office and any leads derived therefrom. MBI agrees that, in any such proceeding, it will not seek to suppress the use of any such information, or any leads derived therefrom, under the United States Constitution, Federal Rule of Evidence 410, or any other rule.

Tolling of the Statute of Limitations

6. MBI agrees to toll the running of the statute of limitations for the term of this Agreement on the crimes specified in paragraph one above relating to the Project.

Acceptance of Responsibility

7. MBI accepts and acknowledges responsibility for its conduct as described in the Undisputed Facts section of the Statement of Facts in Attachment A. Although MBI does not admit the Government's allegations as set forth in the Disputed Facts section of the Statement of Facts, MBI condemns and does not condone the improper conduct alleged, and has taken affirmative steps to prevent such conduct from occurring in the future, including the corporate remediation measures set forth in paragraph fourteen below.

8. MBI agrees that neither it nor its directors and executive officers, nor any person authorized to speak for them, will make, cause others to make, or acknowledge as true any factual statement inconsistent with the undisputed facts set forth in the Statement of Facts in Attachment A, with the proviso reflected in paragraph 3 above. Any such public statement inconsistent with the undisputed facts set forth in the Statement of Facts shall, subject to the cure rights below, constitute a breach of this Agreement. The decision whether any public statement by any such person contradicted the undisputed facts set forth in the Statement of Facts and whether it shall be imputed to MBI for the purpose of determining whether MBI has breached this Agreement shall be in the sole discretion of the Office. If the Office determines that a public statement by any such person contradicts in whole or in part an undisputed fact set forth in the Statement of Facts, the Office shall so notify MBI and MBI may avoid a breach of this Agreement by publicly repudiating such statement(s) within five (5) business days after notification. This paragraph is not intended to apply to any statement made by any former MBI officers, directors or employees. Further, nothing in this paragraph precludes MBI from taking good faith positions in litigation involving a private party that are not inconsistent with the Statement of Facts in Attachment A.

Cooperation

9. During the term of this Agreement, MBI agrees to cooperate fully with the Department of Transportation – Office of Inspector General (USDOT-OIG) in any ongoing investigations of individuals who may have been involved in the Project. Subject to paragraph 3 above, MBI agrees that its cooperation shall include, but is not limited to, the following with respect to the Project:

- a. timely disclosure of truthful, complete and accurate information with respect to the activities of MBI and its directors, officers, employees, agents or consultants, concerning all matters relating to the ongoing investigations of the Project;
- b. timely provision to the Office and USDOT-OIG of all documents and other materials that the Office may request;
- c. its best efforts to make available in a timely and voluntary manner to the Office and USDOT-OIG all present officers, directors and employees for sworn testimony before a federal grand jury or in a federal trial and interviews with federal law enforcement authorities. Cooperation under this paragraph will include identification of witnesses not previously identified who, to the knowledge of MBI, may have material information regarding the matters under investigation.

10. MBI's obligation to cooperate pursuant to the preceding paragraph is not intended to apply if a prosecution by the Office is commenced against MBI as a result of a breach of this Agreement.

11. Nothing in this Agreement shall be construed as a waiver of any attorney-client or work product privilege.

12. With respect to any information, testimony, document, record, or other tangible evidence provided to the Office pursuant to this Agreement, MBI consents to any and all disclosures to other government agencies of such materials as the Office, in its sole discretion, shall deem appropriate.

Monetary Payment

13. MBI agrees to pay \$2,460,722.02 to the United States to resolve its liability. This sum shall be paid pursuant to the terms set forth in the civil "Settlement Agreement" between MBI and the United States. The Settlement Agreement and its terms are incorporated in full into this Agreement. This total amount is a final payment and shall not be refunded should the Office later

determine that MBI has breached this Agreement and commence a prosecution against MBI.

Internal Corporate Remediation Measures

14 MBI has instituted the following internal corporate remediation measures applicable to itself, as set forth below, and agrees to maintain said remediation measures at least during the term of this Agreement.:

- a. Formed a DBE Compliance Committee, which meets regularly to review and address DBE-related issues for MBI;
- b. Hired an attorney to serve as its Corporate Counsel and Compliance Officer, a new position not in existence at the time of the matters that are the subject of this investigation. MBI will maintain this position and fill it with an appropriately trained individual, who will continue to be responsible for ensuring that, among other things, MBI and its employees are complying with the requirements of the USDOT's DBE program;
- c. Hired a second attorney to serve as its Ethics Officer, another position that did not exist at the time of the matters that are the subject of this investigation. This second attorney assists the Compliance Officer in overseeing DBE compliance efforts, including through reviewing contracts to satisfy applicable DBE terms. MBI will maintain this position and fill it with an appropriately trained individual;
- d. Implemented an extensive internal training program for its employees, State of Connecticut Department of Transportation, the Connecticut Commission on Human Rights & Opportunities, the CCIA, and other knowledgeable construction-industry sources, on the mandates of the USDOT's DBE program;
- e. Implemented the use of Pipeline software to assist in identifying qualified DBEs from which to seek bids needed to comply with DBE bidding requirements.
- f. Terminated a former employee who had oversight responsibility of the Project.

Statements to the Media and Public

15. MBI agrees that if it issues a press release or other prepared public statement in connection with this Agreement, MBI shall first consult with the Office to determine whether: (a) the text of the release is true and accurate with respect to matters between the Office and MBI; and (b) the Office has no objection to the release. Statements at any press conference concerning this matter shall be consistent with this press release. MBI shall make every reasonable effort to provide the Office with at least two (2) days notice to review the text of any proposed press release or prepared public statement.

Term of Agreement

16. This Agreement shall be in effect for a period of two years from the date of its execution, except as to the cooperation obligations in paragraph nine, which shall be in effect until the conclusion by the Office of its ongoing investigation into individuals involved in the Project, including through the conclusion of any actual or pending proceedings in U.S. District Court against any individuals that may arise from the Office's ongoing investigation. MBI's failure to comply with any ongoing obligations in paragraph nine beyond the term of this agreement shall be deemed to constitute a breach of this Agreement.

Corporate Authority

17. MBI hereby warrants and represents that it is authorized to enter into this Agreement on behalf of itself, and that the person signing on behalf of MBI has been granted authority by the MBI Board of Directors to bind MBI.

Binding Nature of the Agreement

18. It is understood that this Agreement is binding on MBI and the Office, but that this Agreement does not bind any other federal agencies, or any state or local enforcement or regulatory agencies. The Office will bring the cooperation of MBI and its compliance with its obligations under this Agreement, its remedial actions and proactive measures to the attention of such agencies and authorities if requested to do so by MBI.

Successor Liability

19. MBI agrees that in the event it sells, merges, or transfers all or substantially all of its business operations as they exist during the term of this Agreement, whether such sale is structured as a stock or asset sale, merger, or transfer, it shall include in any contract for sale, merger or transfer a provision

binding the purchaser or any successor-in-interest thereto to the obligations described in this Agreement.

Notice

20. Any notice to MBI under this Agreement shall be given by personal delivery, overnight delivery by a recognized courier service, or registered or certified mail, addressed to Jon A. Manafort, Manafort Brothers, Inc., 414 New Britain Avenue, Plainville, CT 06062.

Required Signatures, Authorization and Corporate Seal

21. By signing this Agreement, MBI's duly authorized representative and MBI's counsel acknowledge that the terms set forth above accurately reflect the parties understanding of the Non-Prosecution Agreement between MBI and the Office. In addition to signing this Agreement, MBI is required to affix its corporate seal next to the signature of its authorized representative and to execute the requisite authorization and corporate resolutions to bind MBI to this Agreement.

22. Two original copies of this Agreement shall be executed, one of which shall be delivered to MBI's Corporate Counsel and Compliance Officer, and one of which shall be delivered to Assistant United States Attorney Christopher M. Mattei.

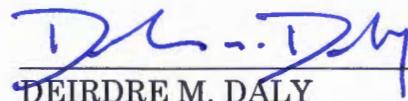
Complete Agreement

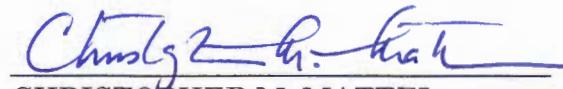
23. This Agreement sets forth the terms of the Non-Prosecution Agreement between MBI and the Office. No promises, agreements, or conditions have been entered into other than those set forth in this Agreement. This Agreement supersedes prior understandings, if any, of the parties, whether written or oral.

24. No amendments or modifications to this Agreement shall be valid unless they are in writing and signed by the Office, the attorneys for MBI, and a duly authorized representative of MBI.

FOR THE UNITED STATES ATTORNEY'S OFFICE
DISTRICT OF CONNECTICUT

DATE: April 4, 2014


DEIRDRE M. DALY
UNITED STATES ATTORNEY

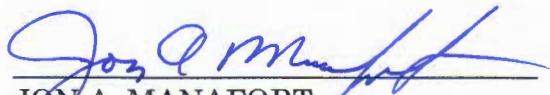


CHRISTOPHER M. MATTEI
ASSISTANT UNITED STATES ATTORNEY
United States Attorney's Office for the
District of Connecticut
450 Main Street
Hartford, CT 06103
860-947-1101

AGREED:

FOR MANAFORT BROTHERS, INCOPORATED

DATE: April 3, 2014


JON A. MANAFORT
EXECUTIVE VICE PRESIDENT
Manafort Brothers, Inc.

CERTIFICATE OF CORPORATE RESOLUTIONS

WHEREAS, MANAFORT BROTHERS, INCORPORATED ("MBI" or the "Company") has been engaged in discussions with the United States Attorney's Office for the District of Connecticut concerning its criminal investigation into MBI's compliance with federal laws and regulations during the Route 72 Project as referenced in the Non-Prosecution Agreement and civil Settlement Agreement;

WHEREAS, in order to resolve such discussions; it is proposed that the Company enter into a non-prosecution agreement and civil settlement agreement with the United States Attorney's Office for the District of Connecticut;

WHEREAS outside counsel for the Company has advised the Board of Directors of the Company's rights, possible defenses, the Organizational Sentencing Guidelines' provisions, and the consequences of entering into such agreements with the United States Attorney's Office for the District of Connecticut;

WHEREAS, MBI has also engaged in discussions through outside counsel with the Federal Highway Administration regarding the above referenced project and agreements in reference to entering into an Administrative Settlement and Compliance Agreement, and

WHEREAS outside counsel to the Company has advised the Company as to the consequences of both entering into the Administrative Settlement and Compliance Agreement and refusing to enter into said agreement.

Therefore, this Board hereby RESOLVES that:

1. The Company consents to the entry of the Non-Prosecution Agreement and civil Settlement Agreement with the United States Attorney's Office for the District of Connecticut as well as the Administrative Settlement and Compliance Agreement with the Federal Highway Administration;
2. Counsel for the Company, or his delegate, are hereby authorized, empowered and directed, on behalf of the Company, to execute the Non-Prosecution Agreement and civil Settlement Agreement substantially in such form as reviewed by this Board of Directors at this meeting with such changes as counsel, or his delegate, and the Company's President, or his delegate, may approve;
3. The Executive Vice President, Jon A. Manafort, of the Company is hereby authorized, empowered and directed, on behalf of the Company, to execute the Non-Prosecution Agreement, the civil Settlement Agreement, and the Administrative Settlement and Compliance Agreement substantially in such forms as reviewed by

this Board of Directors at this meeting with such changes as outside counsel may recommend;

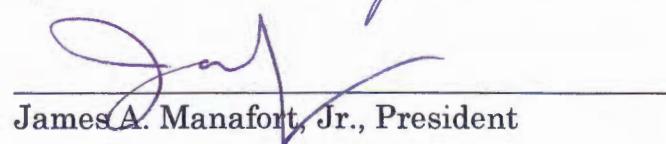
4. Counsel for the Company, or his delegate, the Executive Vice President or his delegate, and any Officer of the Company are hereby each individually authorized, empowered and directed to take any and all actions as may be necessary or appropriate, and to approve the forms, terms or provisions of any 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 counsel for the Company, 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.

Signed by the Board of Directors on this 21st day of March 2014.



Jon A. Manafort, Executive Vice President



James A. Manafort, Jr., President



Lauren Manafort, Secretary/Treasurer

OFFICER'S CERTIFICATE

I have read this Non-Prosecution Agreement and carefully reviewed every part of it with outside counsel for Manafort Brothers, Incorporated ("MBI"). I understand the terms of this Agreement and voluntarily agree, on behalf of MBI, to each of its terms. Before signing this Agreement, I consulted with outside counsel for MBI. Outside counsel fully advised me of MBI's rights, of possible defenses, of the United States Sentencing Guidelines' provisions, and of the consequences of entering into this Agreement. I have reviewed this Agreement with the Board of Directors of MBI, which has been advised of its rights, 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 MBI, 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 an officer of MBI and that I have been duly authorized by the Board of Directors of MBI to execute this Agreement on behalf of MBI and all of its subsidiaries named in the Non-Prosecution Agreement.

DATE: April 3, 2014

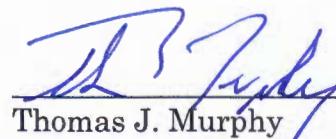


JON A. MANAFORT
EXECUTIVE VICE PRESIDENT
Manafort Brothers, Inc.

CERTIFICATE OF COUNSEL

I am outside counsel for Manafort Brothers, Incorporated ("MBI") in the matter covered by this Non-Prosecution Agreement. In connection with such representation, I have examined relevant MBI documents and have discussed this Agreement with the authorized representatives of MBI. Based on my review of the foregoing materials and discussions, I am of the opinion (i) that MBI's representative has been duly authorized to enter into this Agreement by its Board of Directors on behalf of MBI; and (ii) that this Agreement has been duly and validly authorized, executed, and delivered on behalf of MBI and is a valid and binding obligation of MBI. Further, I have carefully reviewed this Agreement with the owners and the Corporate Compliance Counsel and Compliance Officer. I have fully advised them of MBI's rights, of possible defenses, of the United States Sentencing Guidelines' provisions, and of the consequences of entering into this Agreement. To my knowledge, MBI's decision to enter into this Agreement is an informed and voluntary one.

DATE: April 3, 2014



Thomas J. Murphy
Cowdery, Ecker & Murphy, L.L.C.
280 Trumbull Street
Hartford, CT 06103

ATTACHMENT A

Manafort Brothers, Incorporated (MBI), a corporation qualified to do business in the State of Connecticut, and Jon A. Manafort, in his capacity as Executive Vice President of MBI and acting pursuant to authority granted by MBI's Board of Directors, hereby stipulate and agree that the following facts are true:

UNDISPUTED FACTS

1. On or about April 4, 2007, the Connecticut Department of Transportation (ConnDOT) deemed MBI the low bidder for Contract No. 17-137 ("the Contract"), which comprised a two-mile relocation of Route 72 in Bristol and Plainville, as well as the reconstruction of 2.4 miles of existing secondary roads. The MBI bid was approximately \$39,663,000, with the United States Department of Transportation's Federal Highway Administration ("USDOT") providing approximately 79% of the funding for the Contract.

2. The USDOT's Disadvantaged Business Enterprise (DBE) program (see 49 C.F.R Part 26) requires state and local transportation agencies receiving USDOT financial assistance to establish goals for the participation of DBEs. At all times relevant to this matter, the USDOT required that not less than 10% of the funds authorized for USDOT highway and transit financial assistance programs be expended with DBEs.

3. To be certified as a DBE, a firm must be a small business owned and controlled by socially and economically disadvantaged individuals. The objectives of the DBE program include, among other things, (1) ensuring that small disadvantaged business enterprises can compete fairly for federally-funded transportation projects; (2) ensuring that only eligible firms participate as DBEs; and (3) assisting DBE firms to compete successfully in the marketplace outside the DBE program.

4. When a DBE participates in a transportation contract, USDOT counts only the value of the work actually performed by the DBE toward DBE goals. A DBE must be performing a commercially useful function on that contract. A DBE performs a commercially useful function when it is responsible for execution of the work of the contract and is carrying out its responsibilities by actually performing, managing, and supervising the work involved.

5. To perform a commercially useful function, the DBE must also be responsible, with respect to materials and supplies used on the contract, for negotiating price, determining quality and quantity, ordering the material, and installing (where applicable) and paying for the material itself. A DBE does not

perform a commercially useful function if its role is limited to that of an extra participant in a transaction, contract, or project through which funds are passed in order to obtain the appearance of DBE participation.

6. The Contract had a DBE goal of 11% (i.e., approximately \$4,362,930) of the awarded contract amount.

7. In its bid documents, MBI identified four DBE firms to satisfy the DBE requirements for a total subcontract amount of approximately \$4,436,452 (i.e., 11.19% of the awarded contract amount).

8. Among the four DBE firms was Company # 1 with a listed subcontract amount of \$3,064,372. This sum comprised approximately 69% of the DBE goal for the Contract.

9. On or about April 12, 2007, MBI stated in its pre-award submission package that Company # 1 would be providing all of the project's reinforcing steel, materials for structural steel, and structural steel erection at a particular bridge, and would also be providing the majority of the construction work at a particular retaining wall.

10. The Contract was officially awarded to MBI on August 10, 2007.

11. On or about March 18, 2008, MBI sent a subcontractor approval request to ConnDOT that included a ConnDOT CLA-12 form (i.e., a subcontractor approval form) and an executed subcontract agreement between MBI and Company # 1 dated March 5, 2008.

12. The CLA-12 and subcontract agreement indicated that MBI would pay Company # 1 the sum of \$3,064,372, and that Company # 1 "shall perform all work and shall furnish all supervision, labor, [and] materials" for the scope of work described in the submitted documents.

13. The MBI-furnished CLA-12 and subcontract agreement with Company # 1 was approved by ConnDOT on or about March 19, 2008.

14. From 2007 through 2008, MBI did not properly monitor and insure compliance with USDOT DBE regulations. As a result of this failure, MBI acknowledges that it caused false statements to be submitted to the United States and ConnDOT, in that MBI reported that Company #1 was performing certain commercially useful functions that, in fact, Company # 1 was not performing. By representing that Company #1 had performed certain work and counting that work

toward its DBE company participation goal, MBI deprived legitimate DBE companies of that or other work.

DISPUTED FACTS

15. MBI disputes the allegations set forth in Paragraphs 16-18. The Government disputes MBI's contention as set forth in Paragraph 19.

16. Based on its investigation, the Government contends that, in April 2007, MBI submitted a pre-award package to ConnDOT that claimed that Company #1 would be providing reinforcing steel, materials for structural steel, structural steel erection, and the construction of a retaining wall. In fact, MBI knew and believed that Company #1 would not perform such work, but falsely claimed that it would in order to appear to satisfy the requirements of the DBE program;

17. The Government further contends that, on or about March 18, 2008, MBI requested that ConnDOT approve its subcontract with Company #1, pursuant to which MBI purported to pay Company #1 \$3,064,372.00 in exchange for work that the MBI knew and believed Company #1 would not perform. Instead, MBI arranged for non-DBE companies to perform and be compensated for the work described in the subcontract;

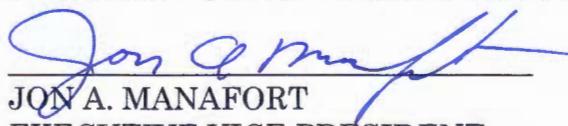
18. The Government further contends that, throughout the course of the Contract project, MBI submitted periodic utilization reports to ConnDOT that purported to represent the percentage of work being performed by Company #1. The reports inaccurately listed the amount of Contract funds MBI had purportedly paid to Company #1. In fact, Company #1 had not performed the work described in the utilization reports and had not been paid for that work as described in the utilization reports.

19. MBI contends that because it believed that ConnDOT acquiesced in or permitted the conduct described in Paragraph 14 above, MBI did not intend to deceive ConnDOT by engaging in such conduct.

DATE: April 7, 2014


CHRISTOPHER M. MATTEI
ASSISTANT UNITED STATES ATTORNEY

DATE: April 3, 2014


JON A. MANAFORT
EXECUTIVE VICE PRESIDENT
Manafort Brothers, Inc.