

**FILED**

**OCT 12 2021**

**JUDGE JOHN Z. LEE  
UNITED STATES DISTRICT COURT**

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA

v.

PENN CREDIT CORPORATION

No. 19 CR 240

Judge John Z. Lee

**DEFERRED PROSECUTION AGREEMENT**

This Deferred Prosecution Agreement between the United States Attorney for the Northern District of Illinois, JOHN R. LAUSCH, JR. (the “government”), and defendant PENN CREDIT CORPORATION (“Penn Credit”), by its undersigned representative and attorneys is made pursuant to the terms and conditions set forth below.

**Acceptance of Responsibility**

1. Penn Credit is charged by indictment with conspiring to commit an offense against the United States, in violation of Title 18, United States Code, Section 371 (Count One); and corruptly giving something of value to influence and reward a public official, in violation of Title 18, United States Code, Section 666(a)(2) (Counts Four and Five). As part of this Agreement, Penn Credit knowingly waives 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).

2. Penn Credit admits, accepts, and acknowledges that it is responsible under United States law for the acts of its current and former officers, employees, and agents, including specifically, the acts of its former owner and former Chief Executive Officer, Donald Donagher, Jr., as set forth in the Statement of Facts, attached as Attachment A and incorporated by reference into this Agreement, and that the facts described in the Statement of Facts are true and accurate.

Should the government pursue the prosecution that is deferred by this Agreement, Penn Credit agrees that it will neither contest the admissibility of nor contradict the Statement of Facts in any such proceeding, including any trial, guilty plea or sentencing proceeding.

3. It is further understood that the government shall file this Agreement in a public Court file and may disclose this Agreement to the public.

#### **Term of the Agreement**

4. This Agreement shall have a term of two years from the date on which the fully-executed Agreement is filed with the Court (the "Term"), except for specific provisions below that specify a longer period, if any. Penn Credit agrees, however, that in the event the government determines, in its sole discretion, that Penn Credit has knowingly violated any provision of this Agreement or has failed to completely perform or fulfill each of its obligations under this Agreement, an extension or extensions of the Term may be imposed by the government, in its sole discretion, for up to a total additional time period of one year, without prejudice to the government's right to proceed as provided in the breach provisions of this Agreement below. Any extension of the Agreement extends all terms of this Agreement, including the terms of the reporting requirement in Attachment C, for an equivalent period. Conversely, in the event the government finds, in its sole discretion, that there exists a change in circumstances sufficient to eliminate the need for the reporting requirement in Attachment C, the Agreement may be terminated early. In such event, Penn Credit's cooperation obligations described below shall survive until the date upon which all such investigations and prosecutions are concluded.

#### **Relevant Considerations**

5. The government enters into this Agreement based on the individual facts and circumstances presented by this case, including the nature and seriousness of the offense conduct,

Penn Credit's and its current management's ongoing cooperation described more fully below, and its remedial measures and operational improvements also described more fully below.

**Cooperation**

6. To date, Penn Credit through its current management has cooperated with the government's investigation, which includes responding to government subpoenas; voluntarily providing documents, analyses, and other information to the government; and producing several company officers who participated in voluntary interviews with the government.

7. Penn Credit shall continue to cooperate fully with the government in any and all matters relating to the conduct described in this Agreement and the attached Statement of Facts at any time during the Term, until the later of the date the Term ends or the date upon which all investigations and prosecutions arising out of such conduct are concluded.

8. Penn Credit agrees that its cooperation shall include, but not be limited to, the following:

a. Penn Credit shall fully and truthfully cooperate in any matter relating to the conduct described in this Agreement and the attached Statement of Facts in which it is called upon to cooperate by a representative of the United States Attorney's Office for the Northern District of Illinois.

b. Penn Credit shall truthfully and in a timely manner disclose all factual information with respect to its activities, those of its subsidiaries and affiliates, and those of its present and former directors, officers, employees, agents, lobbyists and consultants, including any evidence or allegations and internal or external investigations, about which the government may inquire relating to the conduct described in this Agreement and the attached Statement of Facts. This obligation of truthful disclosure includes, but is not limited to, the obligation of Penn Credit

to promptly provide to the government, upon request, any non-privileged document, record or other tangible evidence about which the government may inquire.

c. Upon request of the government, Penn Credit shall designate knowledgeable employees, agents or attorneys to provide to the government the information and materials described above on behalf of Penn Credit. It is further understood that Penn Credit must at all times provide complete, truthful, and accurate information.

d. Penn Credit shall use its best efforts to make available for interviews or testimony, as requested by the government, present or former officers, directors, employees, agents, lobbyists and consultants of Penn Credit as to any matter relating to the conduct described in this Agreement and the attached Statement of Facts. This obligation includes, but is not limited to, sworn testimony before a federal grand jury or in federal trials, as well as interviews with law enforcement and regulatory authorities. Cooperation shall include identification of witnesses who, to the knowledge of Penn Credit, may have material information regarding the matters under investigation.

e. With respect to any information, testimony, documents, records or other tangible evidence provided to the government pursuant to this Agreement, Penn Credit consents to any and all disclosures to other governmental authorities of such materials as the government, in its sole discretion, shall deem appropriate.

f. Should Penn Credit learn of any evidence or allegation of a violation of U.S. criminal law, Penn Credit shall promptly report such evidence or allegation to the government. On the date that the Term expires, Penn Credit, by its Chief Executive Officer and Chief Financial Officer, will certify to the government that Penn Credit has met its disclosure obligations pursuant

to this Agreement. Each certification will be deemed a material statement and representation by Penn Credit to the executive branch of the United States for purposes of 18 U.S.C. § 1001.

g. Penn Credit agrees that its obligations to cooperate under the terms set forth in this Agreement will continue even after the two-year term of this Agreement and the dismissal of the Indictment, and Penn Credit will continue to fulfill the cooperation obligations set forth in this Agreement in connection with any related investigation, criminal prosecution, or civil proceeding brought by the government related to the conduct set forth in the Information or the Statement of Facts.

#### **Monetary Penalty**

9. The government and Penn Credit agree that Penn Credit will pay a monetary penalty in the amount of \$225,000. This amount reflects the middle of the fine range under the United States Sentencing Guidelines, which the parties agreed to use for purposes of calculating the appropriate monetary penalty. Penn Credit shall be responsible for paying \$225,000 to the United States Treasury or to the Victim Crime Fund, as directed by the government, within thirty (30) days of the filing of this Agreement. Nothing in the Agreement shall be deemed an agreement regarding a maximum penalty that may be imposed in any future prosecution, and the government is not precluded from arguing in any future prosecution that the Court should impose a higher fine, disgorgement or civil or criminal forfeiture, although the government agrees that under those circumstances, it will recommend to the Court that any amount paid under this Agreement should be offset against any fine imposed as part of a future judgment. Penn Credit agrees that no tax deduction may be sought in connection with the payment of any part of the fine.

10. The government agrees, except as provided in this Agreement, that it will not bring any criminal or civil case (except for potential criminal tax violations, as to which the government

does not make any agreement) against Penn Credit or any of its present or former subsidiaries, affiliates, officers, directors, or management relating to any of the conduct described in the attached Statement of Facts.

**Remediation, Corporate Compliance Program, and Reporting**

11. Penn Credit through its current management has engaged in significant remedial measures to enhance their compliance program, including taking steps to ensure that its former C.E.O, Donald Donagher, Jr. is no longer employed by or have a business relationship with Penn Credit. Specifically, on March 19, 2019, Penn Credit and its Board of Directors immediately accepted the resignation of its then-CEO Donald Donagher, Jr. and on April 20, 2020 Mr. Donagher divested all his ownership interests in Penn Credit. Penn Credit and its current management are also creating a compliance policy and code of ethics for the company; and implementing a system involving company counsel to ensure compliance with laws and regulations relating to monetary contributions to campaigns and/or charitable entities run or managed by elected officials.

12. Penn Credit represents that it has implemented and will continue to implement a compliance and ethics program designed to prevent and detect violations of U.S. law throughout its operations, including those of its subsidiaries, agents, and joint ventures, and those of its contractors and subcontractors (to the extent subcontractors are permitted) whose responsibilities include accounting, financial reporting, lobbying, government relations, consulting, and interactions with Penn Credit's auditors, including, but not limited to, the minimum elements set forth in Attachment B (Corporate Compliance Program). In addition, Penn Credit agrees that it will report to the government annually during the Term regarding remediation and implementation of the compliance measures described in Attachment B. These reports will be prepared in accordance with Attachment C (Corporate Compliance Reporting).

13. To address any compliance deficiencies, Penn Credit 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 controls, policies, and procedures regarding compliance with U.S. law. Where necessary and appropriate, Penn Credit agrees to adopt a new compliance program, or to modify its existing one, including internal controls, compliance policies, and procedures to ensure that it maintains a rigorous compliance program that incorporates relevant internal controls, as well as policies and procedures designed to effectively deter and detect violations of U.S. law. The compliance program will include, but not be limited to, the minimum elements set forth in Attachment B.

#### **Deferred Prosecution**

14. In consideration of Penn Credit's adoption and maintenance of remedial measures, and review and audit of such measures, including the compliance undertakings described in Attachment B, the government agrees to request that the United States District Court for the Northern District of Illinois defer proceedings on the charge in the Indictment pursuant to Title 18, United States Code, Section 3161(h)(2), for the Term of this Agreement.

15. The government further agrees that if Penn Credit fully complies with all of its obligations under this Agreement, the government will not continue the criminal prosecution against Penn Credit described in Paragraph 1. Within thirty (30) days of the successful completion of the Term, the government shall seek dismissal of the indictment filed against Penn Credit.

#### **Breach of the Agreement**

16. If, during the Term, (a) Penn Credit commits any felony under U.S. law; (b) Penn Credit provides in connection with this Agreement deliberately false, incomplete, or misleading information, including in connection with a disclosure of information about individual culpability; (c) Penn Credit fails to implement a compliance program as set forth in this Agreement and

Attachment B; (d) the government determines that Penn Credit failed to provide information to the government which it was legally obligated to provide, such as in response to a subpoena; or (e) Penn Credit otherwise fails to completely perform or fulfill each of its obligations under the Agreement; or if at any time Penn Credit fails to cooperate as set forth in this Agreement regardless of whether the government becomes aware of such a breach after the Term is complete, Penn Credit shall thereafter be subject to prosecution for any federal criminal violation of which the government has knowledge, including, but not limited to, the conduct described in the attached Statement of Facts, which may be pursued by the government in the U.S. District Court for the Northern District of Illinois or any other appropriate venue. Determination of whether Penn Credit has breached the Agreement and whether to pursue prosecution of Penn Credit shall be in the government's sole discretion. Any such prosecution may be premised on information provided by Penn Credit or its personnel. Any such prosecution relating to (i) the conduct described in the indictment, or (ii) relating to conduct known to the government 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 Penn Credit or its subsidiaries, notwithstanding the expiration of the statute of limitations, until the expiration of the Term plus one year. In addition, Penn Credit agrees that the statute of limitations as to any violation of U.S. 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 government 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.

17. In the event the government determines that Penn Credit has breached this Agreement, the government agrees to provide Penn Credit with written notice of such breach prior



to instituting any prosecution resulting from such breach. Within thirty (30) days of receipt of such notice, Penn Credit shall have the opportunity to respond to the government in writing to explain the nature and circumstances of such breach, as well as the actions Penn Credit has taken to address and remediate the situation, which explanation the government shall consider in determining whether to pursue prosecution of Penn Credit.

18. In the event that the government determines that Penn Credit has breached this Agreement: (a) all statements made by or on behalf of Penn Credit or its present or former parents or subsidiaries to the government or to the Court, including the attached Statement of Facts, and any testimony given by Penn Credit or its present or former parents or subsidiaries before a grand jury, a court, or any tribunal, whether prior or subsequent to this Agreement, and any leads or evidence derived from such statements or testimony, shall be admissible in evidence in any and all criminal proceedings brought by the government against Penn Credit or its present or former parents or subsidiaries; and (b) Penn Credit or its present or former parents or subsidiaries 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 Penn Credit or its present or former parents or subsidiaries prior or subsequent to this Agreement, or any leads or evidence 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, Penn Credit or its present or former parents or subsidiaries, will be imputed to Penn Credit for the purpose of determining whether Penn Credit has violated any provision of this Agreement shall be in the sole discretion of the government.

**Statements by Penn Credit**

19. Penn Credit expressly agrees that it shall not, through present or future attorneys, officers, directors, employees, agents or any other person authorized to speak for Penn Credit, make any public statement, in litigation or otherwise, contradicting the acceptance of responsibility by Penn Credit set forth above or the facts described in the attached Statement of Facts. Penn Credit agrees that if it or any of its present or former parents or subsidiaries issues a press release or holds any press conference in connection with this Agreement, Penn Credit shall first consult the government to determine (a) whether the text of the release or proposed statements at the press conference are true and accurate with respect to matters relating to this Agreement; and (b) whether the government has any objection to the release.

#### **Limitations on Binding Effect of Agreement**

20. This Agreement is binding on Penn Credit and the government but specifically does not bind (i) any component of the Department of Justice other than the United States Attorney's Office for the Northern District of Illinois, (ii) other federal agencies, (iii) any state, local or foreign law enforcement or regulatory agencies, or (iv) any other authorities, although the government will bring the cooperation of Penn Credit and its compliance with its obligations under this Agreement to the attention of such agencies and authorities if requested to do so by Penn Credit.

#### **Changes in Corporate Form**

21. Except as may otherwise be agreed by the government and Penn Credit in connection with a particular transaction, Penn Credit agrees that in the event that, during the term of any of its obligations under this Agreement, it undertakes any change in corporate form, including if it sells, merges, or transfers business operations that are material to Penn Credit's consolidated operations, as they exist as of the date of this Agreement, whether such change 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 government's ability to determine there has been a breach under this Agreement is applicable in full force to that entity. Penn Credit agrees that the failure to include this Agreement's breach provisions in the transaction will make any such transaction null and void. Penn Credit shall provide notice to the government at least thirty (30) days prior to undertaking any such sale, merger, transfer, or other change in corporate form. The government shall notify Penn Credit prior to such transaction (or series of transactions) if it determines that the transaction(s) will have the effect of circumventing or frustrating the enforcement purposes of this Agreement. If at any time during the Term Penn Credit engages in a transaction(s) that has the effect of circumventing or frustrating the enforcement purposes of this Agreement, the government may deem it a breach of this Agreement pursuant to the breach provisions of this Agreement. Nothing herein shall restrict Penn Credit 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 government.


#### Notice


22. Any notice to the government under this Agreement shall be given by personal delivery, overnight delivery by a recognized delivery service, or registered or certified mail, addressed to the Chief, Public Corruption and Organized Crime Section, United States Attorney's Office, 219 South Dearborn Street, Fifth Floor, Chicago, IL 60604. Any notice to Penn Credit shall be given by personal delivery, overnight delivery by a recognized delivery service, or registered or certified mail, addressed to Terence H. Campbell, Cotsirilos, Tighe, Streicker, Poulos & Campbell, 33 N. Dearborn, Suite 600, Chicago, IL 60602.

**Complete Agreement**

23. This Agreement sets forth all the terms of the agreement between Penn Credit and the government. No amendments, modifications or additions to this Agreement shall be valid unless they are in writing and signed by the government, the attorneys for Penn Credit, and a duly authorized representative of Penn Credit.

Date: 10-6-21


BY:   
JOHN R. LAUSCH, JR.  
United States Attorney  
Northern District of Illinois

  
CHRISTOPHER V. PARENTE  
Assistant United States Attorney  
Northern District of Illinois

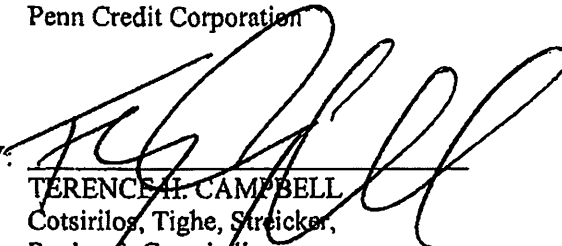
AGREED AND CONSENTED TO:

**PENN CREDIT CORPORATION**

Date: 9/30/21

BY:   
THOMAS FOLEY  
Chief Executive Officer  
Penn Credit Corporation

Date: 10/4/2021

BY:   
TERENCE H. CAMPBELL  
Cotsirilos, Tighe, Streicker,  
Poulos & Campbell  
Counsel for Penn Credit  
Corporation

### **CORPORATE OFFICER'S CERTIFICATE**

I have read this Agreement and carefully reviewed every part of it with outside counsel for Penn Credit Corporation ("PCC"). I understand the terms of this Agreement and voluntarily agree, on behalf of PCC, to each of its terms. Before signing this Agreement, I consulted outside counsel for PCC. Counsel fully advised me of the rights of PCC and of the consequences of entering into this Agreement.

I have carefully reviewed the terms of this Agreement with PCC's Board of Directors. I have advised and caused outside counsel for PCC to advise its Board of Directors fully of the rights of PCC 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 PCC, 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 Chief Executive Officer of PCC and that I have been duly authorized by PCC to execute this Agreement on behalf of PCC.

Date: 9/31/21

BY: 

THOMAS FOLEY  
Chief Executive Officer  
Penn Credit Corporation

### CERTIFICATE OF COUNSEL

We are counsel for Penn Credit Corporation ("PCC") in the matter covered by this Deferred Prosecution Agreement. In connection with such representation, we have examined relevant PCC documents and have discussed the terms of this Agreement with the PCC Board of Directors. Based on our review of the foregoing materials and discussions, we are of the opinion that the representative of PCC has been duly authorized to enter into this Agreement on behalf of PCC and that this Agreement has been duly and validly authorized, executed, and delivered on behalf of PCC and is a valid and binding obligation of PCC. Further, we have carefully reviewed the terms of this Agreement with PCC's Board of Directors and its Chief Executive Officer. We have fully advised them of the rights of PCC of the consequences of entering into this Agreement. To our knowledge, the decision of PCC to enter into this Agreement, based on the authorization of PCC's Board of Directors, is an informed and voluntary one.

Date: 10/4/2021

BY: 

TERENCE CAMPBELL  
Cotsirilos, Tighe, Streicker, Poulos &  
Campbell  
Counsel for Penn Credit Corporation

## **ATTACHMENT A**

### **STATEMENT OF FACTS**

The following Statement of Facts is incorporated by reference as part of the Deferred Prosecution Agreement (the "Agreement") between the United States Attorney's Office for the Northern District of Illinois and Penn Credit Corporation ("Penn Credit"). Penn Credit hereby agrees and stipulates that the following information is true and accurate. Penn Credit admits, accepts, and acknowledges that it is responsible for the acts of its current and former officers, directors, employees, and agents as set forth below.

#### **I. Relevant Entities and Individuals**

Penn Credit is a corporation headquartered in Harrisburg, Pennsylvania. Penn Credit contracts with government entities, typically through county clerks, throughout the United States to provide debt collection services.

Donald Donagher, Jr. owned a significant portion of Penn Credit and was its Chief Executive Officer at times material to this Agreement.

Penn Credit had multiple employees based in Pennsylvania, Florida, and elsewhere in the United States. Penn Credit also employed a team of lobbyists to engage with current and potential government clients in multiple states, including in the Northern District of Illinois.

Cook County was a local government that received in excess of \$10,000 in federal benefits in calendar year 2014.

The Office of the Clerk of the Circuit Court of Cook County was run by Clerk A, who was an agent of Cook County.

#### **II. Conduct**

In March of 2014, at the direction of Donald Donagher, Jr., its Chief Executive Officer, Penn Credit corruptly made two payments for the benefit of Clerk A, intending to reward Clerk A



in connection with any business, transaction, and series of transactions of such government involving anything of value of \$5,000 or more, that is, the referral of traffic debt placements from the Clerk's Office to Penn Credit pursuant to its contract with Cook County, in violation of Title 18, United States Code, Section 666(a)(2).

Specifically, in 2011, Penn Credit was awarded a contract to perform debt collection work for Cook County, Illinois by a committee representing multiple Cook County offices and agencies pursuant to a competitive bidding process. Penn Credit did not have an exclusive contract with Cook County; instead, it was one of two vendors who had a contract to perform debt collection work on behalf of the County. A significant portion of the Cook County contract was the opportunity to collect fines owed on unpaid traffic tickets. The Office of the Clerk of the Circuit Court of Cook County was the government agency responsible for apportioning the traffic debt collection work amongst Penn Credit and its competitor. Under the prior contract, the competitor had been allocated all of the traffic debt collection work, while another vendor had been allocated the non-traffic debt collection work. The traffic debt collection work placed with Penn Credit at the perceived direction of Clerk A constituted business of the Cook County government worth more than \$5,000.

In or around March 2014, Clerk A hosted the Circuit Court of Cook County's Women's History Month Celebration which honored the women serving as Justices and Judges of the Illinois Supreme Court, Appellate Court, and the Circuit Court of Cook County. In order to reward Clerk A for her perceived role in apportioning 50% of the debt collection work to Penn Credit, Donagher corruptly agreed that Penn Credit would underwrite certain expenses of the event. After he agreed to cover these expenses, Donagher forwarded an email from a member of Clerk A's staff to certain employees and lobbyists and stated, "Can you guys go to this on our behalf? We are sponsoring

the entire thing. I told her [Clerk A's staff member] we are fans of [Clerk A]. We gotta stay ahead of [the competing debt collection company].”

On or about March 20, 2014, Penn Credit made a payment of \$869 to a company providing plaques that were presented to the Justices and Judges attending the Clerk of the Circuit Court of Cook County's Women's History Month Celebration. In making this payment, Penn Credit, at the direction of Donagher, corruptly intended to reward Clerk A for her perceived favorable treatment with respect to the award, allocation, and retention of traffic debt placements from the Circuit Court of Cook County Clerk's Office to Penn Credit pursuant to Penn Credit's contract with Cook County.

On or about March 25, 2014, Penn Credit made a payment of \$1,000 to a food services company providing catering for the Women's History Month Celebration event. As with the payment to the trophy company, this payment was made for the benefit of Clerk A. In doing so, Penn Credit, at the direction of Donagher, corruptly intended to reward Clerk A for her perceived favorable treatment with respect to the award, allocation, and retention of traffic debt placements from the Circuit Court of Cook County Clerk's Office to Penn Credit pursuant to Penn Credit's contract with Cook County.

## **ATTACHMENT B**

### **CORPORATE COMPLIANCE PROGRAM**

Recognizing the remedial measures undertaken by Penn Credit Corporation ("Penn Credit") set forth in the Deferred-Prosecution Agreement, Penn Credit 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 and to address any deficiencies in its internal controls, compliance code, policies, and procedures regarding compliance with U.S. law.

Where necessary and appropriate, Penn Credit agrees to modify its compliance program, including internal controls, compliance policies, and procedures to ensure that it maintains an effective system of internal accounting controls designed to ensure the making and keeping of fair and accurate books, records, and accounts, as well as policies and procedures designed to effectively detect and deter violations of U.S. law. At a minimum, this should include, but not be limited to, the following elements to the extent they are not already part of Penn Credit's existing internal controls, compliance code, policies, and procedures:

#### *High-Level Commitment*

1. Penn Credit will ensure that its directors and senior management provide strong, explicit, and visible support and commitment to its corporate policy against violations of U.S. law and its compliance code.

#### *Policies and Procedures*

2. Penn Credit will develop and promulgate a clearly articulated and visible corporate policy against violations of U.S. law, which policy shall be memorialized in a written compliance code.

3. Penn Credit will develop and promulgate compliance policies and procedures designed to reduce the prospect of violations of U.S. law and Penn Credit's compliance code, and Penn Credit will take appropriate measures to encourage and support the observance of ethics and compliance policies and procedures against violation of U.S. law by personnel at all levels of Penn Credit. These policies and procedures shall apply to all directors, officers, and employees and, where necessary and appropriate, outside parties including consultants and lobbyists acting on behalf of Penn Credit. Penn Credit shall notify all employees that compliance with the policies and procedures is the duty of individuals at all levels of the company.

4. Penn Credit 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 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.

*Periodic Risk-Based Review*

5. Penn Credit will develop these compliance policies and procedures on the basis of a periodic risk assessment addressing the individual circumstances of Penn Credit.

6. Penn Credit shall review these 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. Penn Credit will assign responsibility to one or more senior corporate executives of Penn Credit for the implementation and oversight of Penn Credit's compliance code, policies, and procedures. Such corporate official(s) shall have the authority to report directly to independent

monitoring bodies, including internal audit, Penn Credit's Board of Directors, or any appropriate committee of either 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. Penn Credit will implement mechanisms designed to ensure that its compliance code, policies, and procedures are effectively communicated to all directors, officers, employees, and, where appropriate, agents and business partners including consultants and lobbyists. 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, and government relations), and, where appropriate, agents and business partners including consultants and lobbyists; and (b) corresponding certifications by all such directors, officers, employees, agents, and business partners certifying compliance with the training requirements.

9. Penn Credit 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 including consultants and lobbyists, on complying with Penn Credit compliance code, policies, and procedures, including when they need advice on an urgent basis.

*Internal Reporting and Investigation*

10. Penn Credit 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 including consultants and lobbyists concerning violations of U.S. law or Penn Credit's compliance code, policies, and procedures.

11. Penn Credit will maintain, or where necessary establish, an effective and reliable process with sufficient resources for responding to, investigating, and documenting allegations of violations of U.S. law or Penn Credit's compliance code, policies, and procedures.

*Enforcement and Discipline*

12. Penn Credit will implement mechanisms designed to effectively enforce its compliance code, policies, and procedures, including appropriately incentivizing compliance and disciplining violations. Penn Credit will institute appropriate disciplinary procedures to address, among other things, violations of U.S. law and Penn Credit's compliance code, policies, and procedures by Penn Credit'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. Penn Credit 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 compliance program is effective.

*Mergers and Acquisitions*

13. Penn Credit will develop and implement policies and procedures for mergers and acquisitions requiring that Penn Credit conduct appropriate risk-based due diligence on potential new business entities.

14. Penn Credit will ensure that Penn Credit's compliance code, policies, and procedures regarding U.S. law apply as quickly as is practicable to newly acquired businesses or entities merged with Penn Credit and will promptly train the directors, officers, employees, agents, and business partners consistent with Paragraph 8 above on Penn Credit's compliance code, policies, and procedures.

*Monitoring and Testing*

15. Penn Credit will conduct periodic reviews and testing of its compliance code, policies, and procedures designed to evaluate and improve their effectiveness in preventing and detecting violations of U.S. law and Penn Credit's code, policies, and procedures, taking into account relevant developments in the field and evolving industry standards.

**ATTACHMENT C**

**REPORTING REQUIREMENTS**

Penn Credit Corporation ("Penn Credit") agrees that it will report to the U.S. Attorney's Office for the Northern District of Illinois (the "government") periodically, at no less than twelve-month intervals during a two-year term, regarding remediation and implementation of the compliance program and internal controls, policies, and procedures described in Attachment B. During this two-year period, Penn Credit shall: (1) conduct an initial review and submit an initial report, and (2) conduct and prepare at least one follow-up review and report, as described below:

a. By no later than one year from the date this Agreement is executed, Penn Credit shall submit to the government a written report setting forth a complete description of its remediation efforts to date, its proposals reasonably designed to improve its internal controls, policies, and procedures for ensuring compliance with U.S. law, and the proposed scope of the subsequent reviews. The report shall be transmitted to:

Chief, Public Corruption and Organized Crime Section  
U.S. Attorney's Office for the Northern District of Illinois  
219 South Dearborn Street, Fifth Floor  
Chicago, IL 60604

Penn Credit may extend the time period for issuance of the report with prior written approval of the government.

b. Penn Credit shall undertake at least one follow-up review and report, incorporating the views of the government on its prior review and report, to further monitor and assess whether its policies and procedures are reasonably designed to detect and prevent violations of U.S. law.

c. The first follow-up review and report shall be completed and delivered to the government no later than thirty days before the end of the Term.



d. The reports will likely include proprietary, financial, confidential, and competitive business information. Moreover, public disclosure of the reports could discourage cooperation, impede pending or potential government investigations and thus undermine the objectives of the reporting requirement. 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 government determines in its sole discretion that disclosure would be in furtherance of the government's discharge of its duties and responsibilities or is otherwise required by law.

e. Penn Credit may extend the time period for submission of any of the follow-up reports with prior written approval of the government.