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**SKOKIE-BASED DEFENSE CONTRACTOR MPC PRODUCTS CORP. TO PAY U.S.  
\$25 MILLION TO SETTLE CRIMINAL AND CIVIL CONTRACT FRAUD CLAIMS**

CHICAGO – A north suburban defense contractor has agreed to pay the United States a \$2.5 million criminal fine and an additional \$22.5 million civil judgment to settle federal allegations that it overcharged the government in a series of military contracts extending over a decade, ending in 2005. **MPC Products Corp.**, based in Skokie, has agreed to simultaneously resolve both criminal and civil matters, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois.

MPC, which also has facilities locally in Niles, is a manufacturer and supplier of electronic and mechanical parts used in the construction and repair of various military defense systems, primarily aircraft including fighter jets and helicopters. The company manufactures and repairs such aerospace parts as motors, gears, actuators, flight deck controls, throttle assemblies, foot pedals, fuel pump assemblies, door controls and position sensors.

Through its attorney, MPC has authorized the government to disclose that the company will plead guilty to a felony wire fraud charge that was lodged in a criminal information filed today in U.S. District Court in Chicago. The defense contractor has agreed with the government that the parties will ask a judge to impose a sentence of two years' probation and to impose a fine of \$2.5

million. Also charged in the criminal case were two former MPC executives, **Michael A. Norwood**, 57, of Wheaton,, and **Wayne C. Penfold**, 57, of Fort Collins, Colo., and formerly of Glenview, both of whom held various positions at different times including vice president of sales and marketing. They were charged with one count each of obstruction of a federal audit. No date has been set yet for all three defendants to be arraigned in Federal Court.

Mr. Fitzgerald announced the charges with Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation, which conducted the investigation with the Defense Criminal Investigative Service, an arm of the Department of Defense Office of Inspector General. The Defense Department's Defense Contract Audit Agency provided assistance.

Also today, a federal False Claims Act lawsuit filed in 2003 by a former MPC employee was unsealed after the United States intervened and negotiated a settlement, under which MPC has paid the United States \$22.5 million relating to the alleged over-billing scheme. The settlement calls for the whistleblower who initiated the lawsuit, Joe Caputo, of Chicago's northwest suburbs who was hired by MPC in 1990 as a pricing analyst, to receive \$4.5 million as his share of the government's settlement. MPC also agreed to pay an additional \$252,320 for Caputo's expenses and attorney fees.

Also named as defendants in the civil lawsuit were MPC's former co-owners, brothers Joe and Vince Roberti, both of whom are now deceased. Their estates were substituted as defendants in the civil case. *United States, ex rel Joe Caputo v. MPC Products Corp., et al.*, 03 C 373 (N.D. Ill.)

According to the suit Caputo filed in 2003, he was told in 1990 to falsify costs/price justifications so that MPC could increase its profit margin on government contracts as a means of lowering its prices in bids for private sector business. In intervening in the case, the government asserted that the defendants knowingly overcharged the Defense Department and prime contractors by falsifying cost or pricing data used to negotiate 11 separate contracts and basic ordering agreements between 1993 and 2005.

Under the federal False Claims Act, defendants may be liable for triple the amount of actual damages and civil penalties between \$5,500 and \$11,000 for each violation. Individual whistleblowers may be eligible to receive between 15 and 25 percent of the amount of any recovery in cases where the government intervenes.

In the criminal case, MPC has agreed to admit that beginning in the 1990s until 2005, it intentionally overcharged the government by falsifying its cost or pricing data, causing the government to pay claims in amounts larger than would have been paid if accurate cost data had been submitted. The company will further agree that the fraud scheme was supported and condoned by upper management, and MPC knew that the government would rely on the false data in determining whether to award contracts at the quoted prices.

The wire fraud count to which MPC will plead guilty carries a maximum penalty of five years' probation and a maximum fine totaling twice the gross gain or twice the gross loss. If convicted of obstructing a federal audit, Norwood and Penfold each face a maximum penalty of five years in prison and a \$250,000 fine. The Court, however, would determine the appropriate sentence to be imposed under the advisory United States Sentencing Guidelines.

The government is being represented in the criminal prosecution by Assistant U.S. Attorney Jacqueline Stern and in the civil case by Assistant U.S. Attorney Samuel Miller.

The public is reminded that an information contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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