



U.S. Department of Justice

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June 28, 2017

Brian M. Heberlig, Esquire
Steptoe & Johnson, LLP
1330 Connecticut Avenue, NW
Washington, DC 20036

David Laigaie, Esquire
Eckert Seamans
Two Liberty Place
50 South 16th Street, 22nd Floor
Philadelphia, PA 19102

Re: White Rock Distilleries, Inc.

Dear Mr. Heberlig and Mr. Laigaie:

The United States Attorney's Office of the Middle District of Pennsylvania ("USAO-MDPA") and White Rock Distilleries, Inc., ("White Rock" or the "Company"), by its undersigned representatives, pursuant to authority granted by the Company's governing agreement, enter into this Non-Prosecution Agreement ("Agreement").

USAO-MDPA enters into this Agreement based on the individual facts and circumstances presented by this case and the Company, including:

- (a) the Company received credit for its cooperation with USAO-MDPA's investigation because the Company provided cooperation that was timely, substantial, and that identified relevant facts that allowed USAO-MDPA to conduct the remaining investigation in an efficient manner. The Company's cooperation included providing records and making factual presentations to USAO-MDPA;
- (b) by the conclusion of the investigation, the Company provided to USAO-MDPA all relevant facts known to it, including information about the individuals involved in the conduct described in the Statement of Facts;
- (c) the nature and seriousness of the conduct, including that certain senior officials of the Company were engaged in and were aware that employees were engaged in a routine practice of providing things of value to PA-LCB decision makers who were involved in making official decisions beneficial to the Company;
- (d) the Company has no prior criminal history;
- (e) the Company has agreed to continue to cooperate with USAO-MDPA in any investigation of the conduct of PA-LCB employees and former employees, and others in the industry for potential violations of federal public corruption laws.

The Company admits, accepts, and acknowledges that it is responsible under United States law for the acts of its officers, directors, employees, and agents as set forth in the attached Statement of Facts, and that the facts described therein are true and accurate. While the Company does not admit that the conduct in the Statement of Facts violates federal or state criminal law, the Company recognizes and

acknowledges that the facts described in the attached Statement of Facts establish a pattern of things of value to public officials which, had they been given in *quid pro quo* exchange for official decisions, would have constituted violations of federal law, specifically honest services bribes and kickbacks (18 U.S.C. §§1341, 1343, 1346). The Company expressly agrees that it shall not, through present or future attorneys, officers, directors, employees, agents, or any other person authorized to speak for the Company make any public statement, in litigation or otherwise, contradicting the facts described in the attachment Statement of Facts. The Company agrees that if it or any of its direct or indirect subsidiaries or affiliates issues a press release or holds a press conference in connection with this Agreement, the Company shall first consult with the USAO-MDPA to determine (a) whether the text of the release or proposed statements at the press conference are true and accurate with respect to matters between the USAO-MDPA and the Company, and (b) whether the USAO-MDPA has any objection to the release.

The Company's obligations under this Agreement shall have a term of one year from the date on which the Agreement is executed (the "Term").

The Company shall cooperate fully with USAO-MDPA in any and all matters relating to the conduct described in this Agreement and the attached Statement of Facts and other conduct under investigation by USAO-MDPA or any other component of the Department of Justice involving public corruption investigations at any time during the Term until the later of the date upon which all investigations and prosecutions arising out of such conduct are concluded, or the Term. At the request of USAO-MDPA, the Company shall also cooperate fully with other domestic or foreign law enforcement and regulatory authorities and agencies in any investigation of the Company and their subsidiaries and affiliates, and any of these entities' officers, directors, employees, agents, business partners, distributors, and consultants, or any other party, in any and all matters relating to the conduct described in this Agreement and the attached Statement of Facts and other conduct under investigation by USAO-MDPA or any other

component of the Department of Justice involving public corruption matters. The Company agrees that its cooperation shall include, but not be limited to, the following:

a. The Company shall truthfully disclose all factual information not protected by a valid claim of attorney-client privilege or attorney work product doctrine with respect to their activities, those of its subsidiaries and affiliates, and those of their present and former directors, officers, employees, agents, and consultants, including any evidence or allegations and internal or external investigations, about which the Company has any knowledge or about which USAO-MDPA may inquire. This obligation of truthful disclosure includes, but is not limited to, the obligation of the Company to provide to USAO-MDPA, upon request, any document, record or other tangible evidence about which USAO-MDPA may inquire of the Company.

b. Upon request of USAO-MDPA, the Company shall designate knowledgeable employees, agents, or attorneys to provide to USAO-MDPA the information and materials described above on behalf of the Company. It is further understood that the Company must at all times provide complete, truthful, and accurate information.

c. The Company shall use its best efforts to make available for interviews or testimony, as requested by USAO-MDPA, present or former officers, directors, employees, agents, and consultants of the Company. This obligation includes, but is not limited to, sworn testimony before a federal grand jury or in federal trials, as well as interviews with domestic or foreign law enforcement and regulatory authorities. Cooperation shall include identification of witnesses who, to the knowledge of the Company, may have material information regarding the matters under investigation.

d. With respect to any information, testimony, documents, records or other tangible evidence provided to USAO-MDPA pursuant to this Agreement, the Company consents to any and all disclosures, subject to applicable law and regulations, to other governmental

authorities of such materials as USAO-MDPA, in its sole discretion, shall deem appropriate.

e. During the Term, should the Company learn of any evidence or allegation of a violation of federal public corruption laws by the Company, it shall promptly report such evidence or allegation to USAO-MDPA. Thirty days prior to the end of the Term, the Company will certify to USAO-MDPA that the Company has met its disclosure obligations pursuant to this Agreement. A similar certification will be made on the last day of the Term. Each certification will be deemed a material statement and representation by the Company to the executive branch of the United States for purposes of 18 U.S.C. § 1001.

The Company agrees to pay a monetary penalty in the amount of \$2,000,000 to the United States Treasury within ten (10) business days from the execution of this Agreement.

USAO-MDPA agrees, except as provided herein, that it will not bring any criminal or civil case (except for criminal tax violations, as to which USAO-MDPA does not make any agreement) against the Company or its current or former employees relating to: (i) any of the conduct described in the attached Statement of Facts, and (ii) information that the Company or its current or former employees disclosed to the USAO-MDPA prior to the date on which this Agreement was signed. USAO-MDPA, however, may use any information related to the conduct described in the attached Statement of Facts against the Company: (a) in a prosecution for perjury or obstruction of justice; (b) in a prosecution for making a false statement; (c) in a prosecution or other proceeding relating to any crime of violence; or (d) in a prosecution or other proceeding relating to a violation of any provision of Title 26 of the United States Code. This Agreement does not provide any protection against prosecution for any future conduct by the Company or any of its present or former parents or subsidiaries.

If, during the Term of this Agreement, (a) the Company commits any felony under U.S. federal law; (b) the Company provides in connection with this Agreement deliberately false, incomplete, or

misleading information, including in connection with their disclosure of information about individual culpability; (c) the Company fails to cooperate as set forth in this Agreement; or (d) the Company otherwise fails to completely perform or fulfill each of its obligations under the Agreement, regardless of whether USAO-MDPA becomes aware of such a breach after the Term is complete, the Company shall thereafter be subject to prosecution for any federal criminal violation of which USAO-MDPA has knowledge, including, but not limited to, the conduct described in the attached Statement of Facts, which may be pursued by USAO-MDPA in any appropriate venue. Determination of whether the Company has breached the Agreement and whether to pursue prosecution of the Company shall be in USAO-MDPA's sole discretion. Any such prosecution may be premised on information provided by the Company, its subsidiaries or affiliates, or its personnel. Any such prosecution relating to the conduct described in the attached Statement of Facts or relating to conduct known to USAO-MDPA 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 the Company, notwithstanding the expiration of the statute of limitations, between the signing of this Agreement and the expiration of the Term plus one year. Thus, by signing this Agreement, the Company agrees that the statute of limitations with respect to any such prosecution that is not time-barred on the date of the signing of this Agreement shall be tolled for the Term plus one year. In addition, the Company agrees that the statute of limitations as to any violation of U.S. federal 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 USAO-MDPA 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.

In the event USAO-MDPA determines that the Company has breached this Agreement, USAO-MDPA agrees to provide the Company with written notice of such breach prior to instituting any prosecution resulting from such breach. The Company shall have 30 days upon

receipt of notice of a breach to respond to USAO-MDPA in writing to explain the nature and circumstances of such breach, as well as the actions the Company has taken to address and remediate the situation, which explanation USAO-MDPA shall consider in determining whether to pursue prosecution of the Company.

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

Except as may otherwise be agreed by the parties in connection with a particular transaction, the Company agrees that in the event that, during the Term, it undertakes any change in corporate form, including if it sells, merges, or transfers business operations that are material to the Company's consolidated operations, or to the operations of any subsidiaries or affiliates involved in the conduct described in the attached Statement of Facts, 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 USAO-MDPA's ability to determine there has been a breach under this Agreement is applicable in full force to that entity. The Company agrees that the failure to include this Agreement's breach provisions in the transaction will make any such transaction null and void. The Company shall provide notice to USAO-MDPA at least 30 days prior to undertaking any such sale, merger, transfer, or other change in corporate form. If USAO-MDPA notifies the Company prior to such transaction (or series of transactions) that it has determined that the transaction(s) has the effect of circumventing or frustrating the enforcement purposes of this Agreement, as determined in the sole discretion of USAO-MDPA, the Company agrees that such transaction(s) will not be consummated. In addition, if at any time during the Term USAO-MDPA determines in its sole discretion that the Company has engaged in a transaction(s) that has the effect of circumventing or frustrating the enforcement purposes of this Agreement, it may deem it a breach of this Agreement pursuant to the breach provisions of this Agreement. Nothing herein shall restrict the Company 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 USAO-MDPA.

This Agreement is binding on the Company and USAO-MDPA, but specifically does not bind any other component of the Department of Justice, other federal agencies, or any state, local or foreign law enforcement or regulatory agencies, or any other authorities, although USAO-MDPA will bring the cooperation of the Company and its compliance with its other obligations under this Agreement to the attention of such agencies and authorities if requested to do so by the Company.

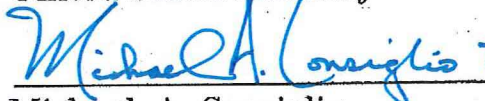
It is further understood that the Company and USAO-MDPA may disclose this Agreement to the public.

Brian M. Heberlig, Esquire
David Laigaie, Esquire
June 28, 2017
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This Agreement sets forth all the terms of the agreement between the Company and USAO-MDPA. No amendments, modifications or additions to this Agreement shall be valid unless they are in writing and signed by USAO-MDPA, the attorneys for the Company and a duly authorized representative of each.

Very truly yours,

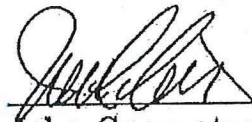
BRUCE D. BRANDLER
United States Attorney

 7/10/2017
Michael A. Consiglio
Assistant United States Attorney


AGREED AND CONSENTED TO:

White Rock Distilleries, Inc.

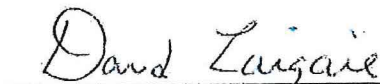
Date: 6-27-2017 BY:


John Carpenter, Registered Agent
White Rock Distilleries, Inc.

Date: 6-30-2017 BY:


Brian M. Heberlig, Esquire
Steptoe & Johnson, LLP

Date: 6-30-2017 BY:


David Laigaie, Esquire
Eckert Seamans

STATEMENT OF FACTS

1. White Rock Distilleries, Inc., organized in 1953 under the laws of the State of Maine. It is headquartered in Lewiston, Maine and was in the business of distributing alcohol throughout North America. Hereinafter it is referred to as "White Rock" or "the Company."

White Rock's primary business activity in Pennsylvania was supplying spirits to the Pennsylvania Liquor Control Board ("PA-LCB"). At relevant periods, White Rock utilized brokerage firms in Pennsylvania to assist in the marketing and brokering of its lines of products to the PA-LCB.

2. The PA-LCB is a government agency created by Pennsylvania statute that is responsible for regulating the sale of alcohol, educating consumers on the responsible use of alcohol and working to prevent underage use of alcoholic beverages. The PA-LCB controls the purchase, transportation, warehousing, and distribution of alcohol in the Commonwealth of Pennsylvania through over 500 stores. With approximately \$2 billion in generated sales in fiscal year 2012-2013, the PA-LCB is one of the largest purchasers of alcohol and spirits in the world.

3. The United States Attorney's Office for the Middle District of Pennsylvania and the Federal Bureau of Investigation ("FBI") have determined that from the late 1990's through 2012, White Rock through its supervisors and employees gave tens of thousands of dollars' worth of things of value to public officials at the PA-LCB, including the Director of Marketing for the PA-LCB and Category Managers for the PA-LCB. In addition, White Rock's brokers provided similar things of value to PA-LCB officials. These things of value included:

(1) Beginning in the late 1990's to the early 2000's, on three occasions a Company supervisor took a PA-LCB category manager to Florida for all-expenses paid trips, including airfare, accommodations, meals, entertainment, and golf outings.

(2) In approximately 2000 and again in approximately 2004, a Company supervisor took a PA-LCB category manager to Scotland, United Kingdom, for all-expenses paid trips, including airfare, accommodations, meals, entertainment, and golf outings.

(3) On two occasions between the late 1990's and early 2000's, a Company supervisor paid for the hotel accommodations for a PA-LCB Category Manager who travelled to Florida for weeklong vacations with the Category Manager's family.

(4) From the mid-2000's until 2009, Company supervisors took the PA-LCB Director of Marketing on three trips to Florida for all-expenses paid vacations, including airfare, accommodations, meals, entertainment, and golf outings.

(5) In the mid-2000's, a Company supervisor and a representative from a brokerage company took the PA-LCB Director of Marketing to Maine for an all-expenses paid trip, including airfare, accommodations, meals, entertainment, and golf outings.

(6) In late 2008, the PA-LCB Director of Marketing discussed his plans for a family vacation and during which a Company supervisor promised to provide some financial assistance to the public employee. In late 2008, a Company supervisor issued a personal check in the amount of \$5,000 which was cashed. In early 2009, a Company supervisor gave an envelope to the PA-LCB Director of Marketing with \$5,000 in cash for the trip.

(7) On February 11, 2010, Company supervisors and representatives from a brokerage company took PA-LCB officials to Florida, for an all-expenses paid trip, including airfare, accommodations, meals, entertainment, and golf outings.

(8) On December 1, 2011, Company supervisors and representatives from a brokerage company took the PA-LCB Director of Marketing and another PA-LCB official to Florida, for an all-expenses paid trip, including airfare, accommodations, meals, entertainment, and golf outings.

The practice of providing things of value and services continued until approximately the spring of 2012, when the Company agreed to sell its assets to another national company and ceased active operation in the industry.

4. From the late 1990's through 2012, the PA-LCB officials regularly made official decisions that substantially influenced the sales of White Rock products in Pennsylvania, including approving requests to get its products sold in PA-LCB stores (a process otherwise known as "listing"), to get its products marketed in stores in such a way to increase sales, to get the PA-LCB to make one-time purchases of its wine and spirits, and to keep its products from being removed from sale in PA-LCB stores (a process known as "delisting").

5. A corporation is deemed to act through its officers, employees and agents, and their conduct will be imputed to the business organization so long as the officers, employees and agents were acting within the scope of their authority and their conduct is beneficial to the business organization. A limited liability company can be criminally liable for the conduct of any employee regardless of the employee's status or position within the business; even the lowest ranking employee may bind the business by his acts if they are committed within the scope of employment. Although a company is a legal entity and cannot be incarcerated, such a business organization if convicted of bribery could incur severe financial penalties and collateral consequences.

6. Since the sale of its assets in 2012, the Company has ceased active operation in the industry. The Company's remaining principals have cooperated and continue to cooperate with law enforcement.