



U.S. Department of Justice

Criminal Division

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Washington, D.C. 20530

September 21, 2007

Saul M. Pilchen, Esq.  
Skadden Arps Slate Meagher & Flom LLP  
1440 New York Ave., NW  
Washington, DC 20005

Re: **Paradigm B.V.**

Dear Mr. Pilchen:

On the understandings specified below, the United States Department of Justice, Criminal Division, Fraud Section ("this Office" or "the Department") will not criminally prosecute Paradigm B.V. and its subsidiaries and affiliates, (collectively, "PARADIGM") for any crimes (except for criminal tax violations, as to which this Office cannot and does not make any agreement) related to the making of and agreement to make improper payments by PARADIGM's employees and agents to government officials in China, Indonesia, Kazakhstan, Mexico, and Nigeria between 2002 and 2007, in order to assist in obtaining and retaining business with government entities, and PARADIGM's accounting and record-keeping associated with these improper payments, as described in Appendix A to this letter, which is incorporated by reference herein.

It is understood that PARADIGM admits, accepts, and acknowledges responsibility for the conduct set forth in Appendix A, and agrees not to make any public statement contradicting Appendix A.

If PARADIGM fully complies with the understandings specified in this agreement, including all Appendices hereto ("the Agreement"), no information given by or on behalf of PARADIGM at the request of this Office (or any other information directly or indirectly derived therefrom) will be used against PARADIGM in any criminal tax prosecution. This Agreement does not provide any protection against prosecution for any crimes except as set forth above, and applies only to PARADIGM and not to any other entities or individuals except as set forth in this Agreement. PARADIGM expressly understands that the protections provided to PARADIGM shall not apply to any acquiror or successor entities unless and until such acquiror or successor formally adopts and executes this Agreement.

This Agreement shall have a term of eighteen (18) months from the date of this Agreement, except as specifically provided in the following paragraph. It is understood that for

Saul M. Pilchen, Esq.  
September 21, 2007

the eighteen (18) month term of the Agreement, PARADIGM shall: (a) commit no crimes whatsoever; (b) truthfully and completely disclose all information with respect to the activities of PARADIGM, its officers and employees, and others concerning all matters about which this Office inquires of it, which information can be used for any purpose, except as otherwise limited in this Agreement; and (c) bring to this Office's attention all criminal conduct by, or criminal investigations of, PARADIGM or any of its senior managerial employees, that comes to the attention of PARADIGM or its senior management, as well as any administrative proceeding or civil action brought by any governmental authority that alleges fraud by or against PARADIGM.

Until the date upon which all investigations and prosecutions arising out of the conduct described in this Agreement are concluded, whether or not they are concluded within the eighteen (18) month term specified in the preceding paragraph, PARADIGM shall: (a) cooperate fully with this Office, the Federal Bureau of Investigation, the Securities and Exchange Commission, and any other law enforcement agency designated by this Office, in connection with any investigation related to the matters described in Appendix A; (b) assist this Office in any investigation or prosecution arising out of the conduct described in this Agreement by providing logistical and technical support for any meeting, interview, grand jury proceeding, or any trial or other court proceeding; (c) use its best efforts to secure the attendance and truthful statements or testimony of any officer, agent or employee at any meeting or interview or before the grand jury or at any trial or other court proceeding; and (d) provide this Office, upon request, any document, record, or other tangible evidence about which this Office or any designated law enforcement agency inquires.

It is understood that any assistance PARADIGM may provide to federal criminal investigators shall be pursuant to the specific instructions and control of this Office and designated investigators.

It is understood that PARADIGM shall adopt a set of internal controls, including a compliance code and compliance standards and procedures, as set forth in Appendix B, and retain outside compliance counsel, as set forth in Appendix C.

It is understood that PARADIGM agrees to pay a monetary penalty of \$1,000,000. PARADIGM must pay this sum to the United States within thirty (30) days of the date of this Agreement. PARADIGM agrees that no tax deduction will be sought in connection with this payment.

It is understood that, should this Office determine that PARADIGM has committed any crime during the term of this Agreement, has given false, incomplete, or misleading testimony or information, or has otherwise violated any provision of this Agreement, PARADIGM shall thereafter be subject to prosecution for any federal violation of which this Office has knowledge, including perjury and obstruction of justice. Any such prosecution that is not time-barred by the

Saul M. Pilchen, Esq.  
September 21, 2007

applicable statute of limitations on the date of the signing of this Agreement may be commenced against PARADIGM, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the expiration of the term of the Agreement plus one year. Thus, by signing this Agreement, PARADIGM agrees that the statute of limitations with respect to any prosecution that is not time-barred on the date of this Agreement shall be tolled for the term of the Agreement plus one year.

It is understood that, if this Office determines that PARADIGM has committed any crime during the term of this Agreement, has given false, incomplete, or misleading testimony or information, or has otherwise violated any provision of this Agreement: (a) all statements and admissions made by PARADIGM to this Office or other designated law enforcement agents, including Appendix A hereto, and any testimony given by PARADIGM before a grand jury or other tribunal, whether prior or subsequent to the signing of this Agreement, and any leads derived from such statements or testimony shall be admissible in evidence in any criminal proceeding brought against PARADIGM; and (b) PARADIGM shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom should be suppressed. By signing this Agreement, PARADIGM waives all rights in the foregoing respects.

It is further understood that this Agreement does not bind any federal, state or local prosecuting authority other than this Office. This Office will, however, bring the cooperation of PARADIGM to the attention of other prosecuting and other investigative authorities, if requested by PARADIGM.


It is further understood that PARADIGM and this Office may disclose this Agreement to the public.

Saul M. Pilchen, Esq.  
September 21, 2007

With respect to this matter, from the date of this Agreement forward, this Agreement supersedes all prior, if any, understandings, promises and/or conditions between this Office and PARADIGM. No additional promises, agreements, and conditions have been entered into other than those set forth in this letter and none will be entered into unless in writing and signed by all parties.

Very truly yours,

STEVEN A. TYRRELL  
Chief, Fraud Section

By:   
Mark F. Mendelsohn  
Deputy Chief, Fraud Section

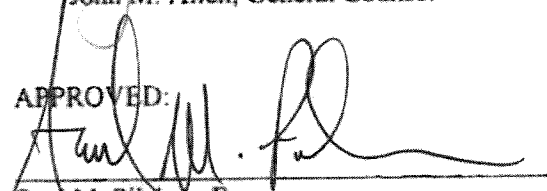
  
Robertson T. Park  
Assistant Chief, Fraud Section

AGREED AND CONSENTED TO:

Paradigm B.V.

By:   
John M. Allen, General Counsel

9/21/07  
Date

APPROVED:   
Saul M. Pilchen, Esq.  
Skadden Arps Slate Meagher & Flom LLP  
Attorney for Paradigm B.V.

9/21/07  
Date

## APPENDIX A

### STATEMENT OF FACTS

This Statement of Facts is incorporated by reference as part of the Agreement, dated September 21, 2007, between the United States Department of Justice, Criminal Division, Fraud Section ("this Office" or "the Department") and Paradigm B.V. and its subsidiaries and affiliates ("Paradigm" or "the Company").

#### **I. Background**

1. At all times relevant to the facts described herein, Paradigm was a private limited liability company registered in The Netherlands. Paradigm was a provider of enterprise software solutions to the global oil and natural gas exploration and production industry. Customers used Paradigm's integrated software suite to create dynamic digital models of the Earth's subsurface by analyzing and interpreting vast amounts of data. The software enabled customers to locate new oil and natural gas reservoirs and optimize production from new and existing reservoirs. Paradigm's revenue was generated from the sale of software and providing related services, consulting, and post-contract support.

2. During due diligence being conducted by Paradigm in connection with its anticipated initial public offering, in or around January 2007, Paradigm identified conduct that appeared to violate the Foreign Corrupt Practices Act ("FCPA"), 15 U.S.C. §§ 78dd-1, *et seq.* In response, Paradigm conducted an investigation through outside counsel. Further, the Company made a voluntary disclosure to, and has cooperated fully with, the Department through the course of the investigation. Paradigm also has instituted extensive remedial compliance measures.

## **II. Paradigm Became A Domestic Concern**

3. Since approximately August 2002, Paradigm was headquartered in The Netherlands, with its principal place of business in Herzliya, Israel, and with substantial operations in the Asia Pacific region, Latin America, and the Middle East.

4. On or about July 1, 2005, Paradigm became a “domestic concern,” as that term is defined in the FCPA, 15 U.S.C. §§ 78dd-2(h)(1)(B), after gradually relocating its principal place of business from Herzliya, Israel to Houston, Texas. This consisted of, among other things: (a) retention of a Houston-based Chief Executive Officer; (b) moving key senior management positions from Herzliya, Israel to Houston; (c) retaining an outside auditor in Houston; (d) transitioning financial and accounting functions from Herzliya, Israel to Houston; and (e) moving the coordination of operational business activities from Herzliya, Israel to Houston. The conduct described in this Statement of Facts took place after Paradigm became a domestic concern, unless otherwise noted.

## **III. The Improper Payments**

### **A. Kazakhstan**

5. In August 2005, KazMunaiGas, Kazakhstan's national oil company, issued a tender for geological software. During the tender process, an unidentified KazMunaiGas official recommended Paradigm retain Frontera Holding S.A. ("Frontera"), a company registered in the British West Indies, ostensibly to assist Paradigm in preparing tender documentation. Paradigm retained Frontera without conducting due diligence and without entering into a written agreement detailing the services to be provided.

6. After retaining Frontera, Paradigm submitted a bid to KazMunaiGas in the amount of \$249,290 and won the tender in or about August 2005. On October 21, 2005,

Paradigm entered into a contract with KazMunaiGas. Paradigm then received an invoice from Frontera requesting a "commission" in the amount of \$22,250 in January 2006. On April 3, 2006, Paradigm wired payment in the amount of \$22,250 from an account in Glasgow, Scotland to an account at the Latvian Trade Bank in the name of Frontera. Documentary evidence showing that Frontera actually prepared any tender documentation or performed any other services for Paradigm is lacking.

**B. China**

7. Paradigm conducted its business in China through a representative office ("Paradigm China") and a wholly-owned foreign enterprise ("WOFE"). Paradigm China was responsible for software sales and post-contract support, and the WOFE was responsible for services work. The vast majority of Paradigm China's customers were Chinese national oil companies or state-owned entities.

8. In July 2006, Paradigm China entered into an agent agreement with Tangshan Haitai Oil Technology Consulting Co. Ltd. ("Tangshan") in connection with a transaction involving Zhonghai Petroleum (China) Co., Ltd. ("Zhonghai"), a company owned by the China National Offshore Oil Company ("CNOOC"). Under the agreement, Tangshan was to receive a 5% commission. The agreement also contemplated commissions being passed on to representatives of Zhonghai, and that Paradigm China and Tangshan would split equally the cost of paying those commissions. The total amount of commissions paid to Tangshan could not be determined from the readily available documentation, but Paradigm China's Country Manager confirmed that at least one such commission was paid.

9. Paradigm China retained employees of Chinese national oil companies or state-owned entities as "internal consultants," and agreed to pay those consultants in cash to evaluate

Paradigm's software. Paradigm China's payments to the internal consultants were intended to cause these technical workers to encourage their companies' procurement divisions to purchase Paradigm's software. Paradigm China also paid internal consultants for inspection and acceptance of Paradigm's products and services. These "inspection" and "acceptance" fees were paid in cash, at or around the time of business negotiations, and once the software was delivered and installed. The "inspection" and "acceptance" fees amounted to approximately \$100-\$200 per person, but the total amount paid could not be determined from the readily available documentation.

10. Paradigm China also paid travel and entertainments expenses for internal consultants and employees of Chinese national oil companies and state-owned entities, including customer "training" trips in connection with obtaining specific business. The expenses incurred in connection with the trips included airfare, hotel, meals, gifts, cash per diems, and entertainment – including sightseeing and cash payments for shopping. The total amount paid for these expenses could not be determined from the readily available documentation.

**C. Mexico**

11. Paradigm acquired a Mexican entity, AGI Mexicana S.A. de C.V. ("Paradigm Mexico"), in 2004. In that year, Paradigm Mexico entered into a subcontract with the Mexican Bureau of Geophysical Contracting ("BGP") valued at \$1.48 million. Under the BGP contract, Paradigm Mexico was to perform work under a contract that BGP had entered into with Pemex, the Mexican national oil company. Paradigm Mexico used the services of an agent in connection with this business, but did not have a written agreement with him. The agent requested that his commission payments, totaling \$206,698, be paid through five different entities. Paradigm

Mexico did not conduct any due diligence on the agent, or the five entities through which he requested payment.

12. Paradigm Mexico paid some, but not all, of the agent's invoices. When new Paradigm senior management learned the agent did not have a written contract with Paradigm Mexico, Paradigm suspended payments to the agent. The agent sued in a Mexican court seeking to collect on the unpaid invoices, but Paradigm Mexico ultimately prevailed in that lawsuit.

13. In 2005, Paradigm Mexico also entered into a subcontract with a U.S. oil services company, which had a contract with Pemex for processing work. In connection with both the BGP subcontract discussed above and this second subcontract, a governmental decision maker employed at Pemex was taken by Paradigm Mexico to Napa Valley, California for relationship building and client entertainment. The agent in the BGP deal accompanied the Pemex decision maker on the trip. The trip coincided with the birthday of the Pemex decision maker and involved visits to wineries and dinners. The total cost of the trip for all attendees was approximately \$12,000. In 2005, Paradigm Mexico also spent approximately \$10,000 entertaining the same Pemex decision maker in connection with obtaining or retaining business. The entertainment took the form of dinners, drinks, and other activities.

14. Further, during the same time frame as the second deal discussed above, the same Pemex decision maker requested that Paradigm Mexico hire his brother. Paradigm Mexico acquiesced to that demand and hired the decision maker's brother as a driver. While employed at Paradigm Mexico, the brother did perform some work as a driver.

15. Paradigm Mexico also entered into a third contract with another branch of Pemex, Central Seismic Processing Center ("CNPS"). The Pemex decision maker on the BGP deal and the second deal with the U.S. oil services company was the responsible official for this third

contract. In close proximity to when the CNPS contract was signed, Paradigm Mexico leased a house from the wife of the CNPS tender official. The house was used by Paradigm Mexico's staff, and the rental fee appears to have been fair market value.

**D. Nigeria**

16. Paradigm operated in Nigeria through a subsidiary, Paradigm Geophysical Nigeria Ltd. ("Paradigm Nigeria"). In 2003, Paradigm began discussing the prospect of forming a service alliance with Integrated Data Services Limited ("IDSL") to perform services and processing work in Nigeria. IDSL was incorporated in 1988 as one of eleven subsidiary companies of the Nigerian National Petroleum Corporation ("NNPC"), a Nigerian governmental agency. IDSL is considered the services arm of NNPC. A meeting between former Paradigm representatives and an IDSL official concerning the proposed joint venture took place in Houston in 2003. Thereafter, in 2004, Paradigm submitted its bid for the IDSL joint venture.

17. In February 2004, Paradigm retained an agent to assist Paradigm Nigeria with its operations. After Paradigm submitted its IDSL bid, Paradigm amended its contract with the agent, authorizing an agent commission in the event Paradigm Nigeria received the IDSL contract.

18. In May 2005, former Paradigm representatives agreed to make corrupt payments of between \$100,000 and \$200,000 through its agent, in order to secure the IDSL award. The proposed payments were to be made to unidentified Nigerian politicians. After Paradigm learned it had not received the IDSL contract, Paradigm terminated the services of the agent.

**E. Indonesia**

19. Prior to April 1, 2004, Paradigm conducted its business in Indonesia through a subsidiary, PT Paradigm Geophysical Indonesia ("Paradigm Indonesia"). At that time, Paradigm

Indonesia used an agent to facilitate sales. From April 1, 2004, until January 1, 2007, Paradigm conducted its Indonesian business exclusively through the agent, who was funded via an account at a U.S. financial institution.

20. In April 2003, employees of Pertamina, Indonesia's national oil company, requested funds from Paradigm Indonesia for the purpose of obtaining or retaining business. Such payments were made. The agent was involved in making the payments. At the time, the agent received commission payments from Paradigm through a New York bank account. The total amount of any improper payments could not be determined from the readily available documentation, but Paradigm's Regional Controller confirmed that at least one such improper payment was made.

## APPENDIX B

In order to address deficiencies in its internal controls, policies and procedures regarding compliance with the Foreign Corrupt Practices Act (“FCPA”) and other applicable anti-corruption laws, and in preparation for the registration of its securities pursuant to 15 U.S.C. § 78l and its listing on a United States exchange as a public company, Paradigm B.V., on behalf of itself and its subsidiaries and affiliates (collectively referred to herein as “Paradigm”), agrees to conduct, in a manner consistent with this Agreement, a review of its existing internal controls, policies and procedures.

Where necessary and appropriate, Paradigm further agrees to adopt new or to modify existing internal controls, policies and procedures in order to ensure that it maintains: (a) a system of internal accounting controls designed to ensure that Paradigm makes and keeps fair and accurate books, records and accounts; and (b) a rigorous anti-corruption compliance code, standards, and procedures designed to detect and deter violations of the FCPA and other applicable anti-corruption laws. At a minimum, this should include, but ought not be limited to, the following elements:

1. A clearly articulated corporate policy against violations of the FCPA and other applicable anti-corruption laws.
2. A system of financial and accounting procedures, including a system of internal accounting controls, designed to ensure the maintenance of fair and accurate books, records and accounts.
3. Promulgation of a compliance code, standards and procedures designed to reduce the prospect of violations of the FCPA, other applicable anti-corruption laws and Paradigm’s compliance code. These standards and procedures should apply to all directors, officers, and

employees and, where necessary and appropriate, outside parties acting on behalf of Paradigm in a foreign jurisdiction including agents, consultants, representatives, distributors, teaming partners, and joint venture partners (collectively referred to as “agents and business partners”).

4. The assignment of responsibility to one or more senior corporate officials of Paradigm for the implementation of and oversight of compliance with policies, standards and procedures regarding the FCPA and other applicable anti-corruption laws. Such corporate official(s) shall have the authority to report matters directly to Paradigm’s Audit Committee of the Board of Directors.

5. Mechanisms designed to ensure that Paradigm’s policies, standards and procedures regarding the FCPA and other applicable anti-corruption laws are effectively communicated to all directors, officers, employees and, where necessary and appropriate, agents and business partners. This should include: (1) periodic training for all directors, officers, employees, agents and business partners; and (2) annual certifications by all directors, officers, employees, agents and business partners, certifying compliance therewith.

6. An effective system for reporting suspected criminal conduct and/or violations of the compliance policies, standards, and procedures regarding the FCPA and other applicable anti-corruption laws for directors, officers, employees, agents and business partners.

7. Appropriate disciplinary procedures to address, among other things, violations of the FCPA, other applicable anti-corruption laws, and Paradigm’s compliance code, standards and procedures by Paradigm directors, officers, and employees.

8. Appropriate due diligence requirements pertaining to the retention and oversight of agents and business partners.

9. Standard provisions in agreements, contracts, and renewals thereof with all agents and business partners that are designed to prevent violations of the FCPA and other applicable anti-corruption laws, which may, depending upon the circumstances, include: (1) anti-corruption representations and undertakings relating to compliance with the FCPA and other applicable anti-corruption laws; (2) rights to conduct audits of the books and records of the agent or business partner to ensure compliance with the foregoing; and (3) rights to terminate an agent or business partner as a result of any breach of anti-corruption laws and regulations or representations and undertakings related to such matters.

## APPENDIX C

### COMMITMENT TO RETAIN OUTSIDE COMPLIANCE COUNSEL

Paradigm has retained the law firm of Skadden Arps Slate Meagher and Flom LLP as outside compliance counsel ("Compliance Counsel"). For the eighteen (18) month term of this Agreement, Compliance Counsel shall:

1. Review the implementation and effectiveness of Paradigm's compliance code, policies and procedures as they relate to the FCPA and other applicable anti-corruption laws.
2. Recommend, where necessary and appropriate, enhancements to Paradigm's compliance code, policies and procedures as they relate to the FCPA and other applicable anti-corruption laws.
3. Review Paradigm's compliance with this Agreement.
4. Recommend and, if appropriate, direct that internal investigations be conducted and voluntary disclosures be made to the Department of Justice and other relevant regulatory agencies.
5. Report periodically, as directed by the Department of Justice, regarding the foregoing.