

## **STATEMENT OF FACTS**

### **CBM**

1. CBM SAS, headquartered in France, is a global supplier of aftermarket automotive and bus parts including brakes, brake pads, brake shoes, anti-lock braking sensors, ignition coils, water pumps, suspension parts, wheel hubs, and thermostats. CBM SAS, doing business through wholly owned subsidiaries including CBM NA (in Canada) and CBM US (in the United States) (together, “CBM” or the “Company”), has customers around the world, including in the United States. These customers include several city metropolitan transit authorities (“MTAs”).

### **CBM US**

2. CBM began business operations in the US in or around 2010 through CBM NA, and ultimately established its US subsidiary in 2014. CBM US primarily sells to MTAs in the US. Between in or about 2014 and in or about 2021, MTAs generally placed orders for parts directly with CBM US, or issued public requests for bids to which CBM US responded. CBM US’s sales are primarily overseen by its Sales Manager and a few CBM NA employees; and the supply for CBM US’s sales is in large part procured through CBM’s procurement team, then routed to the US through CBM NA’s warehouse in Montreal. Specifically, parts are most often purchased in Europe, freighted to CBM’s NA headquarters, and then packed and shipped to customers in the US.

3. When MTAs purchase replacement bus parts, they may contract for one or more of the following categories of part:

- a. OEM Parts: parts made and distributed by an original equipment manufacturer (“OEM”)—*i.e.*, the original manufacturing production line for the parts;
- b. Brand-Name Parts: parts distributed under a particular brand name, using the same production line as the OEM, but not necessarily sold under that manufacturer’s name; or
- c. Generic or Alternate Parts: parts that are similar—and may in fact be equivalent in form, fit, and function—to an OEM’s or brand-name distributor’s parts, but are not from the OEM or brand-name distributor.

Generally, OEM and brand-name parts are more expensive than generic parts, and are generally considered to be of higher quality. MTAs often expressly contract for OEM or brand-name parts, and they include part specifications such as brand and model numbers in their contracts or requests for bids. MTAs also have established approval processes for suppliers who wish to replace an OEM or brand-name part with an alternate part.

4. Since 2010, CBM (through CBM NA and then CBM US) steadily increased its US-based market share. Part of what has made CBM successful in the European and US markets is CBM’s ability to “source” and “develop” bus parts. *Developing* is identifying another manufacturer that has replicated, or is capable of replicating, a brand-name distributor’s part, which CBM can then resell at a lower cost. Developed parts are considered generic or alternate

parts in the industry. *Sourcing* is identifying an upstream supplier or original manufacturer (*i.e.*, an OEM) of a brand name part, which CBM can then acquire and sell at a lower cost than the same part obtained from the brand-name distributor.

### **The “Developed Parts Scheme”**

5. Between at least in or about 2015 and in or about 2021, in approximately 1.07 percent of CBM US’s sales, CBM US bid on and won contracts to provide OEM and brand-name parts to MTAs but then falsely misled, and at times fraudulently deceived, those MTAs by in fact providing developed parts. CBM US engaged in at least one such fraudulent or misleading transaction with approximately 18 MTAs, and such transactions resulted in net profits to CBM US of approximately \$175,543.81 from in or about 2015 through in or about April 2021.<sup>1</sup>

6. The Developed Parts Scheme was known to, directed, and carried out by two individuals at the highest levels of CBM management acting on behalf of CBM US, both of whom are French citizens residing in France. These two individuals maintained control of CBM US’s sales, submitting the bids and directing the supply for the transactions at issue, while concealing significant details from other CBM management and ownership. Specifically, CBM’s former President and CEO Samuel Turboust—who also served as President of CBM US—actively encouraged and worked with former CBM NA Director/Purchasing Director Mathias Urban—who executed and/or directed the transactions at issue—to operationalize the fraudulent scheme in the US. A few additional lower-level employees also were aware of the scheme and at Urban’s direction provided some assistance in executing it.

### **The “Sourced Parts Practices”**

7. Additionally, between at least in or about 2011 and in or about 2021, in approximately 2.35 percent of CBM US’s sales, CBM US bid on and won contracts to provide brand-name parts to MTAs and then provided what CBM understood to be sourced parts. Although CBM personnel—through their research, communications with OEMs, and other industry knowledge—believed that sourced parts were the same as requested parts,<sup>2</sup> CBM also knew that sourced parts were procured from upstream manufacturers or distributors, rather than from the specific brand-name companies listed in MTA contracts and in CBM US’s bids. CBM US engaged in at least one such transaction with approximately 14 MTAs, and such transactions

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<sup>1</sup> These figures do not include instances in which CBM provided an MTA a generic or alternate part, but then the MTA conveyed to CBM US that it would accept that part in place of the contracted-for OEM or brand-name part. Although such transactions reflect similar lack of transparency on CBM US’s part, they did not cause the same harm to the MTA counterparties as did transactions that remained undetected.

<sup>2</sup> CBM did not chemically test any sourced parts to confirm that they were perfectly identical to the brand-name parts sought by the MTAs, nor was CBM always aware if brand-name companies conducted testing or had other practices that might affect the quality or condition of the brand-name companies’ parts. That said, CBM employees had reasons to believe the sourced parts they sold were in fact physically identical to the parts specified in MTA contracts.

resulted in net profits to CBM US of approximately \$287,699.60 from in or about 2011 through in or about April 2021.

8. Because CBM's Sourced Parts Practices were predicated on CBM employees' beliefs that the company was providing the identical parts to the ones specified in its MTA contracts (even if they were obtained from a different source) and provided those parts at lower cost to the customer, these practices were not kept secret and were more widely known among CBM employees than were the details of the Developed Parts Scheme. CBM employees across seniority levels and CBM entities participated in identifying sources for parts, as well as in conducting CBM US's transactions involving sourced parts.

9. CBM's Developed Parts Scheme and Sourced Parts Practices both gave CBM US certain competitive advantages in bidding for and fulfilling MTA contracts. In some instances, CBM was able to outbid competitors and increase profits while charging customers less for developed and sourced parts. CBM US was also at times able to contract to provide parts that were not otherwise readily available on the market.

### **Cooperation and Remediation**

10. On April 21, 2021, search warrants were executed on CBM US's office in the US and CBM NA's office in Montreal. The same day, a subpoena was served on CBM US.

11. CBM US promptly retained counsel and began cooperating, which included an immediate cessation of the Developed Parts Scheme and Sourced Parts Practices, a thorough internal investigation, and a prompt production of documents (limited only by procedural and other restrictions under French and Canadian law). CBM US counsel made presentations to the Government throughout 2021, 2022, and 2023, acknowledging the conduct described above and identifying responsible personnel and systemic failures involved in the scheme.

12. CBM also took company-wide remedial measures—and continues to take remedial measures—to ensure transparency, accuracy, and candor in CBM US's dealings with US MTAs, as well as across all of CBM's other business.

13. First, the Company has replaced all responsible managers, including its former President Samuel Turboust and Purchasing Director Mathias Urban, who were the two driving forces behind the fraudulent practices described above. The Company also terminated, secured resignations from, or transitioned several other, less culpable individuals. CFO Nicolas Duluard played an integral role in this remedial process and remains a part of the Company's executive management with Compliance as an additional role and title. Below him is a newly created Compliance and Certification officer, who is primarily focused on compliance. New CBM President, Andrea Chiocchetti, is similarly attuned to these issues.

14. Second, CBM has also implemented a robust compliance program intended to identify and overhaul the systems that allowed, and in some instances facilitated, the fraudulent scheme. In this regard, CBM has retained a major international accounting and consulting services firm, which has identified numerous action items and phases of remediation, which the Company has begun implementing. To date, the Company has invested tens of thousands of dollars to review

operations and implement improvements across its global business. Many of these improvements have focused on supply chain integrity and part-tracing measures to detect misconduct and other errors in procurement and fulfillment. The Company has also worked on developing, revising, and implementing their Code of Conduct and whistleblower policy.

15. Finally, CBM US is engaging in expansive victim notification and restitution, to include payment of costs of replacement parts, administrative costs and incidental expenses incurred by MTAs as a result of the scheme.