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ITAR ENFORCEMENT DIGEST

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ITAR Enforcement Digest

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Foreword

The purpose of this digest is to provide a legal and compliance practitioner's reference guide on the enforcement of international defense trade controls in the United States, with an emphasis on the U.S. State Department's civil and administrative enforcement program. Though it is useful to take note both of administrative and criminal enforcement trends, it is predominantly through its considerable administrative enforcement powers that the State Department most clearly and consistently signals to regulated parties its expectations for what constitutes adequate compliance.

Part 1 is an executive summary of U.S. defense trade controls and their enforcement by the U.S. federal government. Part 2 is a detailed chronological digest of all reported civil penalty cases that the State Department has settled since 2001. Part 3 is a chronological table of those cases intended to provide a "snapshot" of key enforcement data.

This digest is provided for general informational purposes only, and does not constitute the provision of legal advice or professional services.

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Part 1. Executive Summary of U.S. Defense Trade Controls Enforcement

Overview

The U.S. State Department's Directorate of Defense Trade Controls ("**DDTC**") administers the International Traffic in Arms Regulations (the "**ITAR**"), 22 C.F.R. Parts 120 – 130, which implement the Arms Export Control Act (the "**AECA**") and regulate international defense trade involving the United States. In most cases, companies in the United States that engage in ITAR-regulated activities must register with DDTC and pay an annual fee.

The ITAR regulate the permanent and temporary exportation from the United States, temporary importation into the United States, and retransfer from an authorized end user, of defense articles and technical data identified on the U.S. Munitions List at Part 121 of the ITAR. The ITAR also regulate the provision by U.S. persons of defense services to non-U.S. persons, as well as certain defense brokering activities whether conducted by U.S. or non-U.S. persons. ITAR-regulated activities require prior DDTC authorization unless a specific ITAR exemption applies.

Strict Enforcement

As reflected by the AECA, DDTC's mission and authority are driven by no less than the "furtherance of world peace and the security and foreign policy of the United States...." DDTC views the privilege to engage in defense trade as one which must be exercised with extraordinary integrity, transparency, and competency. Against this ideological backdrop it is unsurprising that the U.S. government has enforced defense trade controls aggressively. Because of the potential for serious harm to vital national interests, even technical or unintentional violations may carry substantial penalties to serve as a deterrent for careless behavior. Collateral consequences include negative publicity and corresponding reputational damage.

Criminal Penalties

Criminal penalties for willful misconduct under the AECA and the ITAR include a fine of up to $1 million and imprisonment for up to twenty years, per violation. To establish willfulness, the government typically must prove there was a specific intent to violate a known legal duty.[1]

Civil Penalties and Administrative Enforcement

DDTC is authorized to impose a civil penalty of up to $1,134,602 per violation. The standard of intent for civil penalties is strict liability; i.e., no intent is required to violate the law. In accordance with well-settled principles, DDTC often holds parent companies liable for the acts of their subsidiaries. And when a company with compliance problems is sold off, DDTC may assess penalties against both the seller and buyer under theories of predecessor and successor liability, as it has done in several cases.

Agency officials have explained publicly that DDTC pursues civil penalties for significant violations that impact U.S. national security or foreign policy interests, as well as for significant violations that challenge the U.S. government's regulatory authority. Many cases have involved unauthorized technology transfers and exports to China and other countries of concern to the United States. And to the latter point, cases settled in recent years have reflected a trend for DDTC to penalize companies that it perceives have flouted DDTC's authority, questioned its judgment, or deceived the agency in some manner.

For example, the 2013 proposed charging letter against Raytheon harshly chastised the company for its repeated failures to follow through on DDTC compliance recommendations, and noted that some violations related to sales agreements for which the company had previously reported violations. In response, DDTC imposed a four-year consent agreement with sweeping compliance burdens and an $8 million penalty. Similarly, a 2006 case against Boeing, which resulted in a $15 million fine and burdensome mandatory compliance requirements, was driven largely by the fact that the company, following advice of counsel, disregarded DDTC's position on the classification of an aircraft guidance component and defied the agency's mandates. A

[1] Jurisprudence varies among federal judicial circuits on the precise legal elements for establishing willful intent to violate federal criminal law.

companion case against Goodrich Corporation and L-3 Communications was advanced on the premise that Goodrich misled DDTC by omitting material information in a request for a commodity jurisdiction determination. In its draft charging letter, DDTC publicly rebuked the company's outside attorneys for "aiding and abetting" the alleged misconduct and L-3 paid for violations that occurred before it acquired the company.

Civil penalties may be assessed together with or independent from criminal penalties. Typically, DDTC pursues civil penalties through a negotiated settlement process that begins with the presentation of a proposed or draft charging letter describing the violations DDTC intends to charge, and concludes with the execution of a consent agreement and order resolving the case.

Over the years, DDTC has established a reputation for calculating civil penalties aggressively and often has charged a separate violation for each instance of repetitive conduct. For example, in a case involving numerous unauthorized shipments of the same type of defense article or technical data to the same end user, DDTC may assess a separate fine for each shipment, which can result in staggering cumulative penalties. In addition, one transaction may result in multiple violations. For example, shipping a defense article or transferring controlled technical data improperly may, depending on the circumstances, lead to several distinct charges, including making an unauthorized exportation, conspiring to violate the ITAR, aiding and abetting a violation, and making a false statement or omitting a material fact on a related shipping document.

A formal hearing procedure before an administrative law judge is available under Part 128 the ITAR, with evidentiary safeguards and rights to a rehearing and an appeal. But for all intents and purposes, administrative due process has been nonexistent to date. No reported administrative enforcement matter has ever involved such a hearing. As a practical matter, DDTC's authority (and demonstrated willingness) to suspend defense trade activities pending the outcome of an enforcement case has discouraged anyone from ever pursuing a formal hearing beyond the preliminary phase. As a further disincentive to challenge its authority, DDTC asserts the position that defense trade enforcement is largely immune from judicial review under the Administrative Procedure Act because of the sensitive national security and foreign policy interests implicated.

Debarment, Denial, Revocation, and Suspension

Debarment is a prohibition from engaging directly or indirectly in ITAR-regulated defense trade. A criminal conviction under the AECA, the Export Administration Act, the Foreign Corrupt Practices Act, U.S. sanctions laws, or other specified national security laws triggers an automatic statutory debarment for three years. And any violation of the ITAR, regardless of intent, may trigger discretionary administrative debarment, likewise for a period of three years.

Reinstatement of defense trade privileges is not automatic; the debarred party must petition DDTC and demonstrate that it has mitigated law enforcement concerns raised by the conduct triggering debarment. As a matter of administrative discretion, DDTC often will waive the three-year period and permit a debarred party to petition for reinstatement after one year. Nevertheless, reinstatement is a costly, burdensome, and often lengthy process.

An indictment under the AECA or the other specified criminal statutes, ineligibility to contract with the U.S. government, denial of export or import privileges by another government agency, imposition of missile proliferation sanctions, or even the mere suspicion of violations of U.S. trade controls, provides DDTC with discretionary authority to deny, revoke, or suspend defense trade authorizations. In such cases, the petition process and timing for restoration of defense trade privileges varies depending on the precise nature of the conduct triggering the adverse action.

The ability to control and deny access to the U.S. defense market provides DDTC with powerful leverage to compel even non-U.S. companies to comply with its mandates.

Directed Remediation

In addition to a fine and the prospect of debarment or other limitations on defense trade privileges, administrative enforcement generally includes execution of a consent agreement under which the respondent is required to institute enhanced compliance measures, usually for a period of three to five years.

These measures include appointing a Special Compliance Official, often from outside the company, as well as conducting compliance audits with DDTC-approved outside auditors, instituting a "cradle-to-grave" export tracking system, and dedicating a

specified and typically substantial amount of money to compliance improvements. Each consent agreement is tailored to the nature of the violations, the level of cooperation, and the adequacy of existing compliance measures at the time of settlement.

Voluntary Disclosure

DDTC has created powerful incentives for companies to make voluntary disclosures of suspected violations. Although no guarantees are offered, submission of a voluntary disclosure is well-recognized as a substantial mitigating factor, and often results in DDTC taking no enforcement action. In fact, agency officials have stated publicly that they expect regulated companies to submit voluntary disclosures as a reflection of transparency and a commitment that their compliance programs actually work to detect and correct violations. At an export control reform conference in May 2014, Ken Handelman, Deputy Assistant Secretary of State for Defense Trade Controls, explained that DDTC seeks "to establish a relationship with the exporting community in which if something goes wrong[,] you all voluntarily come in and tell us about it." As regulators, he observed, "we're not on your side but we are in your corner."

In contrast to the benefits earned through voluntary disclosure, DDTC looks suspiciously upon companies without a track record for making them, and perceives those companies as having something to hide. Moreover, nondisclosure is treated as an aggravating factor in calculating penalties when violations are discovered—as often they are—through other sources. The risk that violations will be revealed independently is significant because of the participation of other parties in a defense trade transaction such as suppliers or shippers who themselves may be inclined to make a disclosure to protect their own interests. Other variables include the possibility of a Customs seizure when paperwork is not in order, the prospect of a competitor who believes the other company is gaining an unfair advantage by not following the rules, a disgruntled employee or whistleblower, and investigative media reporting.

In some cases, what is perceived as a voluntary decision may actually reflect a mandatory duty to disclose. For example, Section 126.1(e)(1) of the ITAR requires that "[a]ny person who knows or has reason to know of ... a proposed or actual sale" of ITAR-controlled defense articles, defense services or technical data to an ITAR-proscribed country (e.g., China) "must immediately inform" DDTC. In addition, the failure to disclose a prior violation may constitute a material omission on a subsequent license application or a public company securities report, or cause a false statement on a subsequent compliance certification.

Statistics and Trends

DDTC publishes on its website copies of final settlement documents for ITAR administrative enforcement cases (i.e., draft charging letters, consent agreements, and orders). See https://www.pmddtc.state.gov/?id=ddtc_kb_article_page&sys_id=384b968adb3cd30044f9ff621f961941 (last visited on June 1, 2021).

While it is unclear if the list of published cases is exhaustive, available documentation reflects that the State Department has settled over sixty cases since 1978. The most recent administrative enforcement case was settled in April 2021. On average, the State Department has settled approximately two cases per year, and in no year has the number of cases exceeded five. Several companies have been penalized multiple times; e.g., Boeing (five times); Lockheed Martin (three times); Raytheon (three times); L-3 (two times); ITT (two times); Hughes (two times); and Security Assistance International (two times).

In fiscal year 2015, DDTC reported that its database contained approximately 12,500 registrants, which suggests the odds of a company becoming the target of an ITAR administrative enforcement action are statistically insignificant. Nevertheless, DDTC's enforcement program has had a well-recognized *in terrorem* effect on the defense industry, both in the United States and abroad. As noted above, DDTC has used its considerable powers aggressively over the years to make harsh examples of targeted companies.

Learning from ITAR Enforcement Cases

Whatever the odds that any given company will become the target of an ITAR enforcement action, a close study of DDTC cases, especially more recent examples summarized in this digest, provides invaluable information about DDTC's priorities, concerns, and expectations. In particular, the often sharp and reproachful rhetoric in proposed and draft charging letters effectively illustrates the types of conduct that DDTC finds especially egregious.

In fact, DDTC's most recent enforcement actions offer useful lessons for companies involved in the defense trade. For example, even though DDTC has stated that it expects companies to self-report violations, as such disclosures demonstrate that compliance programs are effective, disclosures will not necessarily allow companies to escape significant penalties. The recent enforcement actions against Honeywell, Airbus, L3Harris, Microwave Engineering Corporation, Intersil, Aeroflex, and Raytheon arose following voluntary disclosures. Meggitt-USA made one directed disclosure, and Esterline made both voluntary and directed disclosures.

The enforcement actions also highlight the need for acquiring companies to effectively supervise newly-acquired entities to ensure that they fulfill compliance obligations. The proposed charging letters for Meggitt-USA and Esterline detail patterns of violations by subsidiaries that occurred during periods of rapid growth. Expansion poses a significant compliance challenge as new entities and employees are integrated into the company. Also, as part of the acquisition process, potential acquirers should conduct thorough regulatory compliance due diligence as acquirers may take on successor liability for past violations by the acquired company.

The enforcement actions over the last few years have occurred contemporaneously with the ongoing implementation of the export control reform initiative. Introduced in 2009, export control reform aims to strengthen US industry and make it more competitive by transitioning many items (mainly parts and components) from the USML to the Commerce Control List ("CCL") subject to the EAR. In a move specifically authorized by Congress, most commercial, scientific, and civil satellites and their parts and components transitioned to the CCL in 2014. Satellites, parts, and components with specific military functions, however, remain subject to the ITAR.

In his May 2014 remarks, Mr. Handelman observed that DDTC's licensing volume will decrease as a result of export control reform—an expectation borne out by available statistics. In the first three months of 2015, DDTC processed under 12,000 licenses, representing a significant decrease from approximately 15,000 licenses processed during the same period in 2014, and approximately 21,500 licenses processed during the same period in 2013. But a drop in license quantity does not render DDTC's work less challenging. "[I]f the easy stuff is going to move over to Commerce," he noted, "the hard stuff is going to stay with us." As a result of the shift in its workload, DDTC expects to increase its compliance staff and focus more efforts on compliance-related activities. However, whether these changes will lead to greater transparency and increased guidance for business remains unclear.

Given the rapid changes from export control reform, companies engaged in the defense trade should carefully examine lessons from previous enforcement actions and structure corporate policies and procedures accordingly. Although export control reform is intended to facilitate export licensing for many products, it also imposes a steep compliance learning curve on business. It remains to be seen whether the frequent and substantial changes to the ITAR may in fact give rise to increased violations and DDTC enforcement actions.

AECA: Arms Export Control Act
DCIS: Defense Criminal Investigative Service
DDTC: State Department, Directorate of Defense Trade Controls
DTCC: State Department, Office of Defense Trade Controls Compliance
EAR: Export Administration Regulations, 15 C.F.R. Parts 730 – 774
ICE: Immigration and Customs Enforcement
ISCO: Internal Special/Senior Compliance Officer/Official
ITAR: International Traffic in Arms Regulations, 22 C.F.R. Parts 120 – 130
SCO: Special/Senior Compliance Officer/Official
USML: U.S. Munitions List (ITAR Part 121)

Notes:

(1) Citations to the applicable provisions of the ITAR for similar violations sometimes are inconsistent from case to case, which is a reflection of DDTC enforcement practice.

(2) Regarding directed remediation in particular, the summaries below reflect our editorial judgment. Readers are encouraged to review the specific terms of individual consent agreements for a more exhaustive and nuanced description of compliance requirements imposed in a particular case.

Honeywell International, Inc.

Settled
April 27, 2021

Summary
Honeywell International, Inc. ("Honeywell), a Delaware corporation, agreed to settle 34 charges in connection with alleged violations of the AECA and the ITAR by the company and its subsidiaries. The charges involved unauthorized exports and retransfers of technical data to several countries, including a proscribed destination.

Honeywell is a DDTC-registered manufacturer and exporter of defense articles, namely aircraft parts and components, military electronics, and gas turbine engines. The corporation is a conglomerate that operates through four business groups: Aerospace, Building Technologies, Performance Materials & Technologies, and Safety & Productivity Solutions. The violations at issue stem from Request for Quotations (RFQs) sent by Honeywell Aerospace's Integrated Supply Chain (ISC) organization to U.S. and foreign suppliers, which included drawings of parts and components for which the group sought price quotations.

Honeywell submitted two voluntary disclosures to DDTC related to the violations at issue. The first disclosure described violations that occurred between July 2011 and October 2015. The second disclosure described violations that occurred between June and July of 2018.

In its first voluntary disclosure, Honeywell revealed that ISC personnel had used the DEXcenter file exchange platform to export 71 ITAR-controlled drawings—without authorization—to Canada, Ireland, Taiwan, and the People's Republic of China (PRC), a proscribed destination under ITAR § 126.1(d)(1). Of the 71 drawings, 51 were exported by Honeywell to unaffiliated suppliers in the PRC, 20 were exported by Honeywell to its subsidiaries in the PRC, and 16 were retransferred by Honeywell subsidiaries to unaffiliated suppliers in the PRC. The drawings were controlled under USML Categories VIII(i), XI(d), and XIX(g) and contained the engineering diagrams necessary to produce parts for various aircraft, military electronics, and gas turbine engines. In addition, since several of the parts and components identified in the drawings had the capacity for substantial military utility or capability and were designated as Significant Military Equipment (SME), the corresponding drawings were also designated as SME. After reviewing the transmitted drawings, the government determined that the transmissions harmed U.S. national security.

Honeywell informed DDTC that it had taken corrective action in response to the violations. Specifically, the company instituted mandatory trainings, conducted mandatory second reviews of all international DEXcenter transmissions, and updated the DEXcenter platform.

Notwithstanding the company's corrective actions, Honeywell's second voluntary disclosure identified additional ITAR violations by the ISC organization. These additional violations were the result of ISC personnel abandoning the standard procurement process in favor of "what Honeywell referred to as 'an alternative process, which the team believed complied with export compliance requirements,' for soliciting RFQs." This alternative process was employed in an effort to increase procurement speed and efficiency. The standard process for transmitting drawings involved "identifying a drawing's USML or CCL category and then using DEXcenter to transfer the files." Under the alternative process, ISC personnel utilized Daptiv, a different file exchange platform, and either failed to review a drawing's classification or improperly classified a drawing's USML or CCL category. As a result, Honeywell exported 27 ITAR-controlled drawings—without authorization—to Mexico, Canada, and the PRC, a proscribed destination. Of the 27 drawings, two of drawings were exported by Honeywell to a Honeywell subsidiary in the PRC, who then retransferred one of the drawings to another Honeywell subsidiary in the PRC. The drawings were controlled under USML Categories VIII(i) and XIX(g) and contained engineering diagrams to produce parts for aircraft and gas turbine engines. These drawings were designated as SME and their transmissions were found to have harmed U.S. national security.

DDTC noted the following aggravating factors in the charging document: (1) certain violations harmed U.S. national security, (2) certain violations stemmed from unauthorized exports to ITAR § 126.1 proscribed destinations, (3) certain violations

involved unauthorized exports of technical data deemed to be SME, and (4) a high degree of similarity existed between Honeywell's current and prior violations though, in the past, the company claimed to have taken steps to prevent such violations. DDTC also noted several mitigating factors, including: (1) Honeywell's voluntary disclosure of the violations, (2) Honeywell's cooperation with DDTC, and (3) the fact that Honeywell entered into two agreements tolling the statute of limitations for enforcement of the AECA and the ITAR.

Charges

34 charges, as follows:

(1) 17 charges of unauthorized export of technical data (aircraft parts and components) to the PRC (ITAR § 127.1(a)(1)).

(2) 9 charges of unauthorized retransfer of technical data (aircraft parts and components) to the PRC (ITAR § 127.1(a)(1)).

(3) 4 charges of unauthorized export of technical data (aircraft parts and components) to Taiwan (ITAR § 127.1(a)(1)).

(4) 2 charges of unauthorized export of technical data (aircraft parts and components) to Canada (ITAR § 127.1(a)(1)).

(5) 1 charge of unauthorized export of technical data (aircraft parts and components) to Ireland (ITAR § 127.1(a)(1)).

(6) 1 charge of unauthorized export of technical data (aircraft parts and components) to Mexico (ITAR § 127.1(a)(1)).

Penalty

$13,000,000, to be allocated as follows: (1) $3,000,000 to be paid within ten days from the date of the Consent Agreement, (2) $2,500,000 to be paid within one year from the date of the Consent Agreement, (3) $2,500,000 to be paid on or before the second anniversary of the date of the Consent Agreement, and (4) the remaining $5,000,000 shall be suspended if the funds are applied toward Consent Agreement-authorized remedial compliance costs during the term of the Consent Agreement.

Directed Remediation

(1) Within 60 days of settlement, Honeywell must propose at least three candidates to serve as SCO and identify their preferred candidate. The SCO will be responsible for monitoring, overseeing, and promoting Honeywell's AECA and ITAR compliance. All candidates must possess the proper character, qualifications, and experience. In addition, the candidates cannot have represented or been previously employed by Honeywell or any of its affiliated business units within five years from the date of settlement. Once DDTC approves a nominated SCO, and within 15 days of the approval, Honeywell must appoint the individual to the position of SCO through written appointment. Furthermore, Honeywell's CEO must also brief the board of directors annually on the SCO's findings and recommendations regarding the company's AECA and ITAR compliance.

(2) Honeywell and its SCO must review the company's AECA and ITAR compliance resources and make compliance adjustments as needed within 90 days of settlement.

(3) Within seven months of settlement, Honeywell must submit a draft audit plan to DDTC for review and approval. After approval, and within 12 months of settlement, Honeywell must conduct an audit and send DDTC a written audit report. Six months after submitting the written audit report, Honeywell must identify any remaining remedial measures necessitated by the findings of the audit report. Moreover, in some cases, DDTC may require a second audit.

(4) Within ten months of settlement, Honeywell must implement heightened compliance policies, procedures, and training, including establishing an automated export compliance system to help ensure Honeywell's compliance with the AECA and the ITAR. After implementation, the company must provide updates to DDTC about the status of the system every six months.

(5) By written request, Honeywell may opt to replace the SCO with an ISCO 18 months after the settlement date.

(6) During the term of the agreement, the company must arrange and assist DDTC in conducting on-site reviews of the company's AECA and ITAR compliance.

(7) Prior to three months before the third anniversary of settlement, Honeywell must submit written certification of its compliance with all aspects of the Consent Agreement, including that an evaluation has been conducted of the automated export compliance system and that the company's compliance measures are sufficient to identify, prevent, detect, correct, and report violations of the AECA and the ITAR. The terms of the Consent Agreement will remain in effect until such certification has been made by Honeywell and approved by DDTC.

2020

Airbus SE

Settled
January 27, 2020

Summary
Airbus SE, ("Airbus"), a multinational aerospace corporation, agreed to settle 75 charges in connection with alleged violations of the AECA and the ITAR by its subsidiaries. The charges included providing false statements on authorization requests, failure to provide accurate and complete reporting on political contributions, commissions, or fees that it paid in connection with sales, failure to maintain records involving ITAR-controlled transactions, and the unauthorized reexport and retransfer of defense articles.

Airbus has numerous subsidiaries in the United States registered as a broker, manufacturer, and exporter with DDTC. Airbus designs, manufactures, and sells aerospace products and aircraft worldwide for use in the defense, government, and commercial sectors.

Airbus submitted voluntary self-disclosures to DDTC relating to the conduct at issue in this settlement. The charging document covers violations that took place from September 29, 2011 through December 23, 2019.

The charging document describes Airbus as having "experienced systemic issues regarding its Part 130 obligations." Airbus failed to develop policies, directives, or procedures at the corporate level to ensure compliance with Part 130. Because there was no single corporate policy regarding Part 130, there was confusion throughout the Airbus organization as to who was responsible for Part 130 compliance -- broader compliance personnel believed export control compliance personnel were responsible, and vice versa. The charging document also identifies a "systemic gap" with respect to the reporting of payments of political contributions, commissions, or fees on authorization requests. This occurred in part because Airbus's Empowered Officials had limited access to the necessary authorization and information to comply adequately with Part 130. Airbus treated information required to certify authorization requests and provide Part 130 reports with extreme sensitivity. The records that Empowered Officials relied on were scattered across multiple jurisdictions and often incomplete. Furthermore, certain Airbus subsidiaries used a reexport authorization request template that certified that no payments were made in contravention of Part 130 for every transaction, whether or not this certification was true.

Airbus sought authorizations for the export, reexport, or retransfer of defense articles or provision of defense services without providing accurate Part 130 statements for sales to or for the use of the armed forces of Colombia, Egypt, Ghana, Indonesia, Jordan, Kazakhstan, Mexico, Poland, and Vietnam. These transactions required DDTC approval because Airbus incorporated ITAR-controlled defense articles into the aircrafts at issue. Additionally, in 2013, Airbus sought similar authorizations without providing Part 130 statements for sales to or for the use of the armed forces of Belgium, France, Germany, Luxembourg, Malaysia, Spain, Turkey, and the United Kingdom. Airbus submitted remedial Part 130 reports disclosing fees paid or offered or agreed to be paid after an internal investigation and disclosure to DDTC.

Airbus paid fees or commissions without reporting under Part 130 for several other transactions. These include a June 2016 TAA relating to the sale of helicopters to Israel, the retransfer of ITAR-controlled items within the United Kingdom, and the reexport of satellites and incorporated defense articles for sales to or for the use of the armed forces of Brazil, Canada, France, Italy, Japan, and Russia. Finally, Airbus also acknowledged paying fees or commissions to their in-country representatives that were not disclosed in connection with a TAA application related to maintenance, repair, and overhaul of aircraft. As part of this TAA, Airbus sought to provide technical data and defense services to government entities in over 80 countries.

Relatedly, Airbus failed to maintain records and lacked a system for maintaining records related to the information necessary to provide Part 130 reports and the underlying authorization reports.

Airbus Spain reexported one transponder test set to Northrop Grumman in Australia without authorization. Airbus failed to verify that Northrop Grumman Australia was on the license and that the intended end use was authorized. Additionally,

Airbus Spain reexported five fuel flow switches and two ram air turbines to the government of Malaysia where Airbus Military S.L. in Spain was the only authorized end-user and there was no authorized Malaysia-related end use.

Airbus also disclosed that from 2007 to August 2019, an Airbus Spain entity retransferred defense articles and technical data to a Spanish private company and Spanish governmental organization without authorization. Airbus Spain also provided training on maintenance and operation, as well as technical manuals and refresher training.

DDTC noted countervailing adverse factors in its charging document, specifically: (1) significant compliance program deficiencies and a lack of internal controls, despite Airbus's prior identification of Part 130 as a risk area multiple times, including senior compliance officials raising specific concerns regarding compliance with Part 130, (2) inadequate processes undertaken by Empowered Officials to verify the accuracy of Part 130 statements and file the necessary reports, and (3) uneven recordkeeping that contributed to the systemic failure to provide accurate Part 130 reports and that hampered the investigation into the violations at issue. However, DDTC gave mitigating consideration to: (1) Airbus's submission of voluntary disclosures to DDTC, (2) Airbus's cooperation with DDTC requests, (3) Airbus's efforts to mitigate the harm to U.S. national security and foreign policy arising from its violations, and (4) Airbus's filing of remedial Part 130 reports.

Charges

75 charges, as follows:

(1) 33 charges of submitting license applications that contained false statements or misrepresented or omitted material facts regarding the payment of commissions, fees, or political contributions paid, offered, or agreed to be paid in respect of a sale (ITAR § 127.2(a)).

(2) 36 charges of failure to submit Part 130 reports or submission of reports that contained false statements or misrepresented or omitted material facts regarding the payment of commissions, fees, or political contributions (ITAR § 127.2(a)).

(3) 1 charge of failure to collect and maintain records regarding authorization requests (ITAR § 122.5).

(4) 1 charge of reexport without authorization defense articles to Australia (ITAR § 127.1(a)).

(5) 1 charge of reexport without authorization defense articles to Malaysia (ITAR § 127.1(a)).

(6) 1 charge of retransfer without authorization defense articles and related technical data to an unauthorized recipient in Spain (ITAR § 127.1(a)).

Penalty

$10,000,000, to be allocated as follows: (1) $2,000,000 within ten days from the date of the Consent Agreement, (2) $2,000,000 to be paid within one year from the date of the Consent Agreement, (3) $1,000,000 to be paid on or before the second anniversary of the date of the Consent Agreement, and (4) the remaining $5,000,000 shall be suspended if the funds are applied toward Consent Agreement-authorized remedial compliance costs.

Directed Remediation

(1) Within sixty days of settlement, nominate a SCO from outside the company, subject to approval by DTCC, who will oversee and support Airbus's AECA and ITAR compliance policies and procedures, implementation of compliance measures, and reporting obligations during the three-year period of the consent agreement. Airbus's General Counsel must brief the board of directors on the SCO's findings and recommendations as well as Airbus's AECA and ITAR compliance measures, at least annually. Within 15 days following DTCC's approval of the SCO, Airbus must appoint this person in writing to the position of SCO.

(2) In coordination with the SCO, conduct an internal review of AECA and ITAR compliance resources and ensure sufficient resources are designated for compliance within 120 days of settlement.

(3) Airbus has the option to request an ISCO replace the SCO after the second anniversary of the Consent Agreement, subject to approval by DTCC.

(4) Strengthen policies, procedures, infrastructure, and training, particularly related to compliance with Part 130, within eighteen months of settlement.

(5) Conduct two external audits during the period of the Consent Agreement, subject to prior DTCC approval of the auditor and draft audit plan, and supervision by the SCO or ISCO. Within ten months of settlement, submit to DTCC the draft plan for the first audit, to be completed within fifteen months of settlement. Within thirty months of settlement, submit to DTCC the draft plan for the second audit, to be completed within thirty-two months of settlement.

(6) Arrange and facilitate with minimal advance notice on-site reviews by DTCC during the period of the Consent Agreement.

(7) No later than three months before the three-year anniversary of settlement, certify to DTCC whether all aspects of the Consent Agreement have been implemented, whether Airbus's export compliance program has been assessed, and whether Airbus's export compliance program is adequate to identify, prevent, detect, correct, and report violations of the AECA and ITAR. The Consent Agreement will remain in force beyond its three-year term until the certification is submitted and approved by DTCC. DTCC has the option to terminate the Consent Agreement prior to its three-year term if DTCC determines that all compliance measures set forth in the Consent Agreement have been implemented and Airbus's export compliance program is adequate to identify, prevent, detect, correct, and report violations of the AECA and ITAR.

AeroVironment, Inc.

Settled
November 19, 2019

Summary
AeroVironment, Inc., ("AeroVironment"), a broker, manufacturer, and exporter of unmanned aircraft systems ("UAS") and tactical missile systems, agreed to settle ten charges in connection with alleged violations of the AECA and the ITAR by the company. The charges included unauthorized export of defense articles and technical data, violation of terms or conditions of authorizations, failure to file exports with the Automatic Export System (AES), and failure to maintain proper export records.

AeroVironment was registered as a broker, manufacturer, and exporter with DDTC. AeroVironment manufactures and exports UAS and tactical missile systems for use in the government and defense sectors. AeroVironment engages in both domestic and foreign sales. A small amount of AeroVironment's products are sold for non-defense related purposes.

AeroVironment submitted 14 voluntary self-disclosures to DDTC relating to the conduct at issue in this settlement. The charging document covers violations that took place from June 5, 2014 through December 22, 2016.

AeroVironment exported UAS controlled under USML Categories VIII and XII to Canada without authorization on multiple occasions between 2014 and 2016. These exports were destined for a private Canadian entity and the Canadian Army. In addition, AeroVironment failed to obtain DSP-83 End Use Certifications for various exports to Canada of UAS and related parts, components, and accessories controlled under USML Categories VIII, XI, and XII. This includes exports of SME articles. At the time of export, AeroVironment relied on the Canadian license exemption, which was inapplicable. Additionally, on July 13, 2016, AeroVironment exported four UAS to the United Kingdom's Ministry of Defense without authorization. AeroVironment applied for a DSP-5 export license, which was granted on August 1, 2016, over two weeks after AeroVironment had already exported the UAS to the UK MOD.

AeroVironment also exported technical data in the form of UAS user manuals to Australia, Canada, France, and Thailand without authorization. AeroVironment obtained licenses to export its UAS systems and user manuals. These licenses contained provisos that prohibited the export of information on detailed performance of UAS. However, AeroVironment used one version of manual for all its customers until April 2015. This manual included some information regarding the use of UAS targeting capabilities and Selective Availability Anti-Spoofing Module. Accordingly, AeroVironment violated 35 license provisos.

The charging document groups several types of violations relating to terms or conditions of authorizations or AES-related violations together. AeroVironment obtained a DSP-5 to export defense articles to Australia. It violated the terms of this license by using an unauthorized consignee with respect to the export of these defense articles. Additionally, it exported defense articles in furtherance of this license without filing the export in AES. Separately, AeroVironment did not adequately claimed certifications for technical data exports as required by ITAR § 125.6(b). AeroVironment employees also hand carried personal protective equipment to Afghanistan without filing EEI in AES prior to export.

AeroVironment also did not systematically keep records related to the export of technical data in furtherance of licenses, agreements, or exceptions as required under the ITAR.

DDTC noted countervailing adverse factors in its charging document, specifically: (1) systemic lack of authorization management and attention to provisos, terms, and conditions of export authorizations, (2) an unknown number of instances where AeroVironment failed to properly maintain records as required by the ITAR, and (3) the involvement of SME. However, DDTC gave mitigating consideration to: (1) AeroVironment's submission of 14 voluntary disclosures to DDTC, (2) AeroVironment's self-initiated compliance program improvements, (3) AeroVironment's agreement with DDTC to toll the statute of limitations, and (4) there is no indication that the violations caused harm to U.S. national security. As a result, DDTC did not impose administrative debarment on AeroVironment.

Charges

Ten charges, as follows:

(1) 6 charges of unauthorized export of defense articles to Canada (ITAR § 127.1(a)(1)).

(2) 1 charge of unauthorized export of technical data (user manuals) to Australia, Canada, France, and Thailand (ITAR § 127.1(a)(1)).

(3) 1 charge of unauthorized export of defense articles (Shrike UAS) to the United Kingdom (ITAR § 127.1(a)(1)).

(4) 1 charge of violating terms and conditions of authorizations on multiple occasions (ITAR § 127.1(b)(1)).

(5) 1 charge of failing to maintain proper records of temporary or permanent exports of defense articles to include technical data (ITAR § 127.1(b)(1)).

Penalty

$1,000,000, to be allocated as follows: (1) $200,000 within ten days from the date of the Consent Agreement, (2) $200,000 to be paid within one year from the date of the Consent Agreement, (3) $100,000 to be paid on or before the second anniversary of the date of the Consent Agreement, and (4) the remaining $500,000 shall be suspended if the funds are applied toward Consent Agreement-authorized remedial compliance costs.

Directed Remediation

(1) Within sixty days of settlement, nominate a SCO from outside the company, subject to approval by DTCC, who will oversee and support AeroVironment's AECA and ITAR compliance policies and procedures, implementation of compliance measures, and reporting obligations during the two-year period of the consent agreement. AeroVironment's CEO must brief the board of directors on the SCO's findings and recommendations as well as AeroVironment's AECA and ITAR compliance measures, at least annually. Within 15 days following DTCC's approval of the SCO, AeroVironment must appoint this person in writing to the position of SCO.

(2) In coordination with the SCO, conduct an internal review of AECA and ITAR compliance resources and ensure sufficient resources are designated for compliance within 120 days of settlement.

(3) AeroVironment has the option to request an ISCO replace the SCO after the first anniversary of the Consent Agreement, subject to approval by DTCC.

(4) Strengthen policies, procedures, infrastructure, and training within twelve months of settlement.

(5) Review and verify the export control jurisdiction of all items the ITAR-regulated operating divisions, subsidiaries, eighteen months. AeroVironment may certify to DTCC that the jurisdiction of certain items was previously and accurately determined and/or verified and exclude such items from this review.

(6) Conduct one external audit during the period of the Consent Agreement, subject to prior DTCC approval of the auditor and draft audit plan. Within six months of settlement, submit to DTCC the draft plan for the first audit, to be completed within twelve months of settlement. Within twelve months of settlement, AeroVironment must submit a written report to DTCC confirming whether it addressed the findings in the audit report and the status of any proposed actions.

(7) Arrange and facilitate with minimal advance notice on-site reviews by DTCC during the period of the Consent Agreement.

(8) No later than three months before the three-year anniversary of settlement, certify to DTCC whether all aspects of the Consent Agreement have been implemented, whether AeroVironment's export compliance program has been assessed, and whether AeroVironment's export compliance program is adequate to identify, prevent, detect, correct, and report violations of the AECA and ITAR. The Consent Agreement will remain in force beyond its two-year term until the certification is submitted and approved by DTCC. DTCC has the option to terminate the Consent Agreement prior to its two-year term if DTCC determines that all compliance measures set forth in the Consent Agreement have been implemented and AeroVironment's export compliance program is adequate to identify, prevent, detect, correct, and report violations of the AECA and ITAR.

L3Harris Technologies, Inc.

Settled
September 17, 2019

Summary
L3Harris Technologies, Inc., ("L3Harris"), a manufacturer and exporter of wireless equipment, tactical radios, electronic systems, night vision equipment, and antennas, agreed to settle 131 charges in connection with alleged violations of the AECA and the ITAR by the company. The charges included unauthorized exports of technical data and defense articles to multiple countries, providing a false Part 130 statement on a Technical Assistance Agreement, violations of license provisos, violations of the terms or conditions of licenses and agreements, and other violations caused by systemic administrative issues.

L3Harris was registered as a manufacturer and exporter with DDTC. L3Harris manufactures and exports wireless equipment, tactical radios, electronic systems, night vision equipment, and both terrestrial and space-borne antennas for use in the government, defense, and commercial sectors. L3Harris sells its products extensively overseas, including in over 100 countries. 21% of L3Harris's revenue in fiscal year 2018 came from products and services exported from the United States.

L3Harris submitted voluntary and directed disclosures to DDTC relating to the conduct at issue in this settlement. The charging document covers violations that took place from April 23, 2014 through June 18, 2018. L3Harris submitted seven voluntary self-disclosures relating to the content of the charging document. Additionally, the Defense Technolgoy Security Administration (DTSA) referred concerns about L3Harris to DDTC, resulting in DDTC initiating a directed disclosure from L3Harris. Subsequently to the directed disclosure, L3Harris submitted three additional voluntary self-disclosures. DDTC considers these to be voluntary, but because they are related to the directed disclosure matters, these three disclosures were not considered a mitigating factor.

The charging document sets forth numerous violations relating to unauthorized exports. L3Harris manufactures and exports tactical radios that are controlled under Category XI of the USML and considered SME. These radios include proprietary software developed by L3Harris called Adaptive Networking Wideband Waveform ("ANW2") and/or the third version of this software, ANW2C -- both are controlled under Category XI of the USML. Beginning in October 2014, DTSA recommended that ANW2C be exported only to NATO countries, Australia, and New Zealand due to ANW2C's increased capabilities over ANW2. L3Harris was aware of this restriction and engaged extensively during the relevant timeframe with DDTC regarding exports of ANW2C. DDTC, acting on a request for reconsideration, allowed L3Harris to export a limited number of radios containing ANW2C to Brazil, but not to export ANW2C to any other restricted countries or update previously exported radios to Brazil. However, L3Harris allowed customers in non-authorized countries to download firmware to update previously exported radios to ANW2C, stating these exports were authorized by ITAR § 125.4(b)(4), allowing "solely editorial" revisions with no further licensing requirement. L3Harris has since agreed that ITAR licenses were required. L3Harris also exported radios equipped with ANW2C to Australia, Italy, New Zealand, and the United Kingdom without authorization, at times in express contravention of licenses that contained a proviso restricting the export of ANW2C.

In addition to unauthorized exports related to ANW2C, the charging document lists other violations relating to unauthorized exports of defense articles that were incorrectly self-classified as EAR-controlled. L3Harris exported various military electronics controlled by USML Category XI to Canada without authorization and did not file EEI filings for these exports. L3Harris also exported its T7 Remote Control Vehicle ("T7 RCV") equipped with Explosive Ordnance Disposal (EOD) to Thailand, Singapore, and Germany without authorization. It self-classified the T7 RCV as EAR-controlled incorrectly. This is in spite of L3Harris applying for and obtaining a commodity jurisdiction determination request that the T7 RCV equipped with EOD capability is controlled under the USML's Category IV(c). Similarly, L3Harris temporarily exported its AN/PLM-4 Radar Signal Simulator to Italy and Taiwan without authorization, incorrectly self-classifying this item as EAR controlled and relying on EAR exceptions. Additionally, L3Harris temporarily exported its Jagwire Software Plug-In with EOD capability to 12 countries without authorization. L3Harris had received a CJ determination stating that Jagwire software is EAR-controlled and that Jagwire software with EOD capability is ITAR-controlled. L3Harris relied on the EAR-controlling language to export its ITAR-controlled Jagwire software with EOD capability. L3Harris also exported technical data controlled under Category XI(d) and XII(f) to Canada and Denmark.

The charging document further details violations relating to agreements and licenses. L3Harris misrepresented the facts on a technical assistance agreement (TAA) by providing an inaccurate Part 130 response. The response stated that no commission, fee, or contribution had been paid or offered relating to the sale detailed in the TAA. In fact, a commission was promised to a marketing representative for facilitating the agreement subject to a covered TAA. Separately, L3Harris violated the terms or conditions of TAAs and manufacturing licensing agreements, including failures to file initial exports, failures to file agreements and status notifications, failures to notify DDTC of agreements not concluded, failures to filed written statements accompanying concluded agreements, and failures to file annual sales reports. Separately, in response to an inquiry from DDTC, L3Harris audited its DDTC licenses with provisos relating to notification of exports. L3Harris discovered it violated eight licenses that required notification to DDTC of exports shipped against the license, and in cases where L3Harris filed (untimely), it failed to provide serial numbers as required.

Finally, the charging document lists several violations relating to systemic administrative issues related to the management of DSP-73 licenses. These include:

- Failure to properly present a license for endorsement by U.S. Customs and Border Protection ("CBP"), and incorrectly citing an ITAR exemption;
- Losing defense articles overseas in Australia, Estonia, and the United Kingdom, resulting in an inability to return them to the United States as required by the license;
- Failure to endorse the export and import of defense articles authorized under DSP-73 by CBP -- presenting incorrect information, the wrong license numbers, or no license at all;
- Misrepresentation the values and numbers of items being imported or exported;
- Failure to return 15 tactical radios from Denmark before the expiration of a DSP-73; and
- Failure to maintain records associated with a DSP-73, thus being incapable of confirming it was properly endorsed by CBP.

DDTC noted countervailing adverse factors in its charging document, specifically: (1) DTSA referring a portion of the charged conduct to DDTC, resulting in a directed disclosure, (2) the charged conduct resulting from L3Harris not properly understanding its compliance obligations and exporting without obtaining clarification, (3) systemic administrative violations, and (4) frequency and repetitive nature of the same violations. However, DDTC gave mitigating consideration to: (1) L3Harris's submission of seven voluntary disclosures to DDTC and (2) L3Harris's self-initiated compliance program improvements. As a result, DDTC did not impose administrative debarment on L3Harris.

Charges

131 charges, as follows:

(1) 44 charges of unauthorized export of technical data (software) (ITAR § 127.1(a)(1)).

(2) 46 charges of unauthorized export of defense articles (tactical radios) (ITAR § 127.1(a)(1)).

(3) 13 charges of unauthorized export of defense articles and technical data (military electronics and associated technical data) (ITAR § 127.1(a)(1)).

(4) 4 charges of unauthorized export of defense articles (T7 RCV, PLM-4, and Jagwire Software Plug In) (ITAR § 127.1(a)(1)).

(5) 1 charge of unauthorized export of technical data to a law firm in Canada (ITAR § 127.1(a)(1)).

(6) 1 charge of failure to furnish information to DDTC regarding a commission L3Harris agreed to pay to a marketing representative as required by the ITAR (ITAR § 127.2(b)(1)).

(7) 2 charges of violating the terms or conditions of a license or approval by failing to properly notify DDTC of exports as required by provisos (ITAR § 127.1(b)(1)).

(8) 19 charges of violating the terms or conditions of ITAR provisions by failing to properly file information on active TAAs and MLAs and failing to provide an annual report of sale pursuant to the MLA clause as required by the ITAR (ITAR § 127.1(b)(1)).

(9) 1 charge of failure to present exports to CBP for endorsement (ITAR § 127.1(b)(1)).

Penalty

$13,000,000, to be allocated as follows: (1) $2,500,000 within ten days from the date of the Consent Agreement, (2) $2,000,000 to be paid within one year from the date of the Consent Agreement, (3) $2,000,000 to be paid on or before the second anniversary of the date of the Consent Agreement, and (4) the remaining $6,500,000 shall be suspended if the funds are applied toward Consent Agreement-authorized remedial compliance costs.

Directed Remediation

(1) Within sixty days of settlement, nominate a SCO from outside the company, subject to approval by DTCC, who will oversee and support L3Harris's AECA and ITAR compliance policies and procedures, implementation of compliance measures, and reporting obligations during the four-year period of the consent agreement. L3Harris's CEO and/or General Counsel must brief the board of directors (or appropriate committee thereof) on the SCO's findings and recommendations as well as L3Harris's AECA and ITAR compliance measures, at least annually. Within 15 days following DTCC's approval of the SCO, L3Harris must appoint this person in writing to the position of SCO.

(2) L3Harris has the option to request an ISCO replace the SCO after the second anniversary of the Consent Agreement, subject to approval by DTCC.

(3) Strengthen policies, procedures, infrastructure, and training within twelve months of settlement.

(4) Review and verify the export control jurisdiction of all items the ITAR-regulated operating divisions, subsidiaries, and business units L3Harris manufactures (including defense services and technical data/software) within thirty-two months. If the USML is amended after this review is completed, L3Harris must review the export control jurisdiction of all affected items within six months from the effective date of the amendment.

(5) Conduct two external audits during the period of the Consent Agreement, subject to prior DTCC approval of the auditor and draft audit plan, and supervision by the SCO or ISCO. Within six months of settlement, submit to DTCC the draft plan for the first audit, to be completed within twelve months of settlement. Within twenty-six months of settlement, submit to DTCC the draft plan for the second audit, to be completed within thirty-two months of settlement.

(6) Arrange and facilitate with minimal advance notice on-site reviews by DTCC during the period of the Consent Agreement.

(7) Three months before the three-year anniversary of settlement, certify to DTCC whether all aspects of the Consent Agreement have been implemented, whether L3Harris's export compliance program has been assessed, and whether L3Harris's export compliance program is adequate to identify, prevent, detect, correct, and report violations of the AECA and ITAR.

Darling Industries, Inc.

Settled
February 26, 2019

Summary
Darling Industries, Inc., ("Darling"), a manufacturer and exporter of specialty fabricated rubber and composite products, agreed to settle six charges in connection with alleged violations of the AECA and the ITAR by the company. The charges included failure to appoint an Empowered Official who met the requirements set out in the ITAR and unauthorized export of defense articles or furnishing of unauthorized defense services to end-users in Canada, Italy, and the United Kingdom.

Darling was registered as a manufacturer and exporter with DDTC. Darling manufactures and exports specialty fabricated rubber and composite products, including ethylene propylene diene monomer compound ("EPDM"), a Kevlar-filled raw material used as a missile case and motor insulator. Darling primarily manufactures defense articles and engages in both domestic and foreign sales. The remainder of Darling's business relates to non-defense aerospace and industrial products.

Darling submitted voluntary self-disclosures to DDTC relating to the conduct at issue in this settlement. The charging document covers violations that took place from February 9, 2012 to March 3, 2014. Darling initiated a compliance program review by an outside consulting firm. This review identified what the charging department referred to as "decades of systematic, reoccurring violations involving [Darling's] manufacture and sale" of EPDM and breathing hoses, both of which are controlled under the USML. EPDM is also designated on the MTCR Annex.

During the time at issue in this charging document, Darling did not have a documented export compliance program or a mechanism to determine the export jurisdiction of its products. Darling relied on its staff with no export compliance training to facilitate compliance with the ITAR. The staff in turn relied on advice of foreign customers and personal knowledge. Additionally, the Empowered Official at Darling did not have authority for policy or management at Darling, did not have ITAR training, and submitted license applications that reflected a deficient understanding of the DDTC licensing process. Following the consulting firm's review, Darling instituted ITAR compliance policies and procedures and prepared voluntary self-disclosures to DDTC based on the violations uncovered by the self-initiated review.

Darling exported EPDM-related technical data and provided defense services to a Canadian company from 1999 to 2014 without proper authorization to DDTC. Furthermore, during the time period at issue, Darling exported 1,622 pounds of EPDM to Canada without authorization and provided related defense services and technical data supporting the Canadian end-user's use of EPDM. A Canadian engineer visited Darling's EPDM manufacturing plant in Arizona and was provided with technical data and defense services there. The EPDM was exported to Canada as NLR under the EAR. Separately, reflecting the inconsistent and poor understanding of ITAR compliance at Darling, during the same timeframe, a different Darling sales associate obtained DDTC authorization to export EPDM to Norway and the United Kingdom.

Additionally, Darling exported, without authorization, breathing hoses and components to multiple countries for end use on military aircraft from 2009 to 2013. During the time period at issue, Darling exported 1,003 such breathing hoses to the United Kingdom and 14 breathing hoses to Italy without authorization. These exports were destined for military aircraft end-use.

DDTC noted countervailing adverse factors in its charging document, specifically: (1) Darling's submission of voluntary self-disclosures 22 months after discovery of the violations, which led to the submission including conduct outside the time for commencing proceedings under the AECA or ITAR, (2) lack of an established documented compliance program, and (3) insufficient ITAR expertise and senior leadership oversight. However, DDTC gave mitigating consideration to: (1) Darling's submission of voluntary disclosures to DDTC, (2) Darling's agreement with DDTC to toll the statute of limitations, and (3) Darling's self-initiated compliance program improvements. As a result, DDTC did not impose administrative debarment on Darling.

Charges

6 charges, as follows:

(1) 1 charge of failure to appoint an appropriate Empowered Official in accordance with the ITAR (ITAR §§ 120.25(a)(1) and 120.25(a)(3)).

(2) 2 charges of exporting items without authorization under the ITAR related to EPDM exports to Canada (ITAR § 127.1(a)(1)).

(3) 2 charges of exporting items without authorization under the ITAR related to breathing hose exports to Italy and the United Kingdom (ITAR § 127.1(a)(1)).

Penalty

$400,000, to be allocated as follows: (1) $100,000 within ten days from the date of the Consent Agreement, (2) $100,000 to be paid within eighteen months from the date of the Consent Agreement, and (3) $200,000 shall be suspended if the funds are applied toward self-initiated remedial compliance measures undertaken prior to the Consent Agreement and afterward to Consent Agreement-authorized remedial compliance costs.

Directed Remediation

(1) Within fifteen days of settlement, nominate Darling's President as ISCO, subject to approval by DTCC, who will oversee and support Darling's AECA and ITAR compliance policies and procedures, implementation of compliance measures, and reporting obligations during the eighteen month period of the consent agreement.

(2) Review and verify the export control jurisdiction of all items Darling manufactures within twelve months. If the USML is amended after this review is completed, Darling must review the export control jurisdiction of all affected items within six months from the effective date of the amendment.

(3) Conduct one external audit during the period of the Consent Agreement, subject to prior DTCC approval of the auditor and draft audit plan. Within two months of settlement, submit to DTCC the draft plan for the first audit, to be completed within four months of DTCC approving the draft audit plan. Within six months of issuing the audit report, Darling must submit a written report to DTCC confirming whether it addressed the findings in the audit report and the status of any proposed actions.

(4) Review verification plan to ensure that internal processes are sufficient to comply with the ITAR and submit status of the verification plan within 60 days of settlement. Within 120 days of receiving comments on the verification plan from DTCC, Darling will submit a written report of the results of the review to DTCC.

(5) Arrange and facilitate with minimal advance notice on-site reviews by DTCC during the period of the Consent Agreement.

FLIR Systems, Inc.

Settled
April 24, 2018

Summary
FLIR Systems, Inc., ("FLIR"), a manufacturer and exporter of sensors and sensor systems, agreed to settle 347 charges in connection with alleged violations of the AECA and the ITAR by the company. The charges related to unauthorized exports of defense articles, including to proscribed destinations (Iran, Iraq, Lebanon, Cuba, and Vietnam), violations of the provisos, terms, and conditions of licenses, and failure to provide accurate and complete reporting on political contributions, commissions, and fees in connection with commercial sales of defense articles or defense services.

FLIR was registered as a broker, manufacturer, and exporter with DDTC. FLIR manufactures and exports advanced sensors and integrated sensor systems for military and commercial platforms. These products are used to protect borders, gather intelligence, and protect critical infrastructure. FLIR sells extensively overseas and regularly interacts with DDTC – from 2012 through 2016, DDTC approved 3,740 licenses authorizing $9.9 billion in exports of ITAR-controlled products. Most of the violations fall into three categories: (1) foreign person employment, (2) license management, and (3) political contributions, commissions, and fees. FLIR submitted multiple voluntary self-disclosures to DDTC that included disclosure of violations in all three of these categories. The charging document covers the period from 2012 through 2016.

FLIR submitted four voluntary self-disclosures to DDTC from 2008 through 2012 regarding unauthorized exports to foreign person employees. The disclosures included the unauthorized export of technical data and defense articles and unauthorized provision of defense services to dual national/third country national employees from over 15 countries, including three countries that were prohibited destinations (Iran, Iraq, and Lebanon). These disclosures were closed without imposing civil penalties, as FLIR stated that it had implemented remedial measures. In June 2014, FLIR submitted a further voluntary self-disclosure regarding these violations. It stated that it had not reported the full scope of violations in this area and that it had not implemented remedial measures as represented in the previous voluntary self-disclosures. FLIR identified additional foreign person employee violations, including those that related to two additional prohibited destinations (Cuba and Vietnam) and defense articles that were designated as significant military equipment (SME). It further disclosed that it did not collect citizenship information necessary to determine licensing requirements, and that 1,350 foreign person employees had access to all FLIR ITAR-controlled technical data.

FLIR submitted multiple voluntary self-disclosures regarding its failure to properly manage export authorizations and exemptions. This included unauthorized exports, failure to comply with the terms of licenses and authorizations, misuse of exemptions, inaccurate shipping documents, and failure to obtain proper license endorsements regarding SME and USML Category XII defense articles. Additionally, FLIR disclosed the loss or theft of defense articles due to lack of adequate safeguards and its failure to obtain authorization for foreign vendors or contractors who access FLIR ITAR-controlled defense articles. DDTC was unable to adequately review FLIR licenses and license management practices due to FLIR's deficient license submission practices. Additionally, FLIR reorganized and created a new subsidiary tasked with producing the majority of FLIR's ITAR-controlled products without informing DTCC of the new subsidiary or reflecting the new subsidiary on its license applications.

In 2011, FLIR submitted a voluntary self-disclosure regarding the failure to report payments of political contributions, fees, and commissions relating to its DSP-5 licenses. FLIR stated that it implemented corrective actions to reduce future violations. In 2016, FLIR submitted a voluntary self-disclosure regarding the failure to report similar payments with regard to 19 technical assistance agreements. FLIR paid $8 million in fees or commissions under 10 of those 19 agreements.

DDTC gave mitigating consideration to: (1) FLIR's submission of 18 voluntary disclosures to DDTC, (2) FLIR's agreement with DDTC to toll the statute of limitations, and (3) FLIR's self-initiated compliance program improvements during the course of DDTC's review. As a result, DDTC did not impose administrative debarment on FLIR.

Charges

347 charges, as follows:

(1) 219 charges of unauthorized export to foreign person employees at non-U.S. facilities (ITAR §§ 122.5, 126.1(e)(2), 127.1(a)(2), 127.1(b)(1), 127.1(e), and 127.2(a)).

(2) 107 charges of failure to export defense articles in accordance with the ITAR (ITAR §§ 122.5(a), 123.5, 123.9(b)(1), 127.1(a)(1), 127.1(a)(2), 127.1(a)(4), 127.1(b)(1), 127.1(e), and 127.2(a)).

(3) 21 charges of failure to disclose payments under Part 130 (ITAR §§ 130.9(a)(1), 130.9(d), and 130.14).

Penalty

$30,000,000, to be allocated as follows: (1) $1,000,000 within ten days from the date of the Consent Agreement, (2) $3,500,000 to be paid within one year from the date of the Consent Agreement, (3) $3,500,000 to be paid on each of the second, third, and fourth anniversaries of the date of the Consent Agreement, and (4) $15,000,000 shall be suspended if the funds are applied toward remedial compliance measures undertaken within the twenty-four months prior to settlement and afterward to Consent Agreement-authorized remedial compliance costs. $5,000,000 may be suspended for pre-Consent Agreement remedial compliance measures at DTCC's discretion.

Directed Remediation

(1) Within sixty days of settlement, nominate an ISCO, subject to approval by DTCC, who will oversee and support FLIR's AECA and ITAR compliance policies and procedures, implementation of compliance measures, and reporting obligations during the four-year period of the consent agreement. FLIR's CEO must brief the board of directors (or appropriate committee thereof) on the ISCO's findings and recommendations as well as FLIR's AECA and ITAR compliance measures, at least annually.

(2) Implement, promote, and publicize a program for employees to report alleged violations of the AECA and the ITAR. FLIR's General Counsel must provide a semi-annual report to the board of directors (or appropriate committee thereof) and DTCC on the effectiveness of the program.

(3) In coordination with the ISCO, conduct an internal review of AECA and ITAR compliance resources and ensure sufficient resources are designated for compliance within 120 days of settlement.

(4) Strengthen policies, procedures, infrastructure, and training within twelve months of settlement.

(5) Implement a comprehensive automated export compliance system for ITAR-regulated operating divisions, subsidiaries, and business units, unless specifically exempted by DTCC.

(6) Develop and implement policies, procedures, and training to ensure accurate identification and tracking of ITAR-controlled technical data that is transferred electronically, including by email and transfers outside of FLIR's information technology networks.

(7) Conduct two external audits during the period of the Consent Agreement, subject to prior DTCC approval of the auditor and draft audit plan, and supervision by the ISCO. Within six months of settlement, submit to DTCC the draft plan for the first audit, to be completed within twelve months of settlement. Within thirty months of settlement, submit to DTCC the draft plan for the second audit, to be completed within thirty-six months of settlement.

(8) Review verification plan to ensure that internal processes are sufficient to comply with the ITAR and submit status of the verification plan within 60 days of settlement. Within 120 days of receiving comments on the verification plan from DTCC, FLIR will submit a written report of the results of the review to DTCC.

(9) Arrange and facilitate with minimal advance notice on-site reviews by DTCC during the period of the Consent Agreement.

(10) Three months before the four-year anniversary of settlement, certify to DTCC whether all aspects of the Consent Agreement have been implemented and whether FLIR's export compliance program is sufficient.

Bright Lights USA, Inc.

Settled
September 11, 2017

Summary
Bright Lights USA, Inc., ("Bright Lights"), a manufacturer and distributor of military spare parts, agreed to settle eleven charges in connection with alleged violations of the AECA and the ITAR by the company. The charges related to unauthorized exports of defense articles to a proscribed destination (China).

Bright Lights began selling military spare parts in the spring of 1991 and has been registered with DDTC since 1992. Bright Lights frequently obtained DDTC licenses, and had obtained more than 530 DDTC licenses since 2010. Bright Lights submitted a first voluntary disclosure to DDTC in 2013. It outlined that prior to February 19, 2013, it created redacted versions of technical drawings that may be ITAR-controlled and shared them with foreign persons. Specifically, Bright Lights would remove export control language from the labeled and formatted technical drawing, transfer the remainder of the drawing onto a Bright Lights company labeled mat, retain the part number, and send the modified redacted version either for manufacture or post it online to solicit quotations. Bright Lights commissioned an outside audit of its exports for a five-year time period when this conduct took place. The audit identified more than 270 instances where Bright Lights sourced or sought to source potentially ITAR-controlled parts from foreign vendors and provided these foreign vendors redacted technical drawings that were potentially ITAR-controlled. DDTC reviewed a subset of the violations identified by the auditor. DDTC identified five instances where Bright Lights exported ITAR-controlled technical data – four to Chinese manufacturers, and one to an Indian manufacturer. DDTC also found that Bright Lights did not maintain required records relating to these exports in response to a document request.

Bright Lights submitted a second voluntary disclosure to DDTC in June 2016. This disclosure outlined that Bright Lights had inadvertently misclassified parts of an anti-missile system as having been removed from the USML as part of export control reform (ECR). Bright Lights identified the error when it applied for a Department of Commerce license to replace an expiring DDTC license and the application was returned without action. Bright Lights identified three potential types of violations in its voluntary disclosure: (1) the parts in question were misclassified as EAR-controlled and exported without a license; (2) the parts in question were misclassified as being EAR-controlled but were shipped against a valid DDTC authorization; and (3) other items exported by Bright Lights were mistakenly misclassified as EAR-controlled and exported without DDTC authorization. DDTC reviewed a subset of these transactions and identified five instances of unauthorized exports to non-prohibited destinations.

DDTC gave mitigating consideration to: (1) Bright Lights's submission of two voluntary disclosures to DDTC, (2) Bright Lights's cooperation with DDTC throughout the review process, including agreeing to toll the statute of limitations, (3) Bright Lights's provision of information to DDTC suggesting the violations were not willful, and (4) the significant improvements in Bright Lights's export compliance program. As a result, DDTC did not impose administrative debarment on Bright Lights.

Charges

Eleven charges, as follows:

(1) Four charges of unauthorized export of defense articles (technical data) to a proscribed destination (ITAR § 127.1(a)(1)).

(2) One charge of unauthorized export of defense articles (technical data) (ITAR § 127.1(b)(1)).

(3) One charge of failure to maintain and provide required records (ITAR § 127.1(b)(1)).

(4) Five charges of unauthorized export of defense articles (parts and components) (ITAR § 127.1(a)(1)).

Penalty

$400,000, payable within two years (24 months) of the date of the Consent Agreement.

Turi Defense Group, Inc. and Marc Turi

Settled
October 5, 2016

Summary
Turi Defense Group, Inc. ("TDG"), a global risk management consultancy firm that provides solutions to the defense, government, and commercial services sectors, along with its president, Marc Turi ("Turi"), agreed to settle two charges in connection with alleged violations of the AECA and the ITAR by the company and its president. The charges related to unauthorized conduct of brokering activities and the unauthorized proposal for sale or transfer of defense articles to a prohibited country (Libya).

TDG was registered as a broker of defense articles under the ITAR from April 8, 2008 to May 1, 2014. On March 12 and 13, 2011, TDG and Turi requested authorization from DDTC to engage in brokering activities on behalf of a coalition of rebel groups in Libya, the Transitional National Council, involving $19 million worth of Eastern European light and heavy armament and ammunition. These applications were denied on March 22, 2011. TDG and Turi requested authorization from DDTC a week later to conduct brokering activities on behalf of the Government of Qatar involving $267 million worth of Eastern European light and heavy armament and ammunition. This request was approved on May 5, 2011.

Beginning on March 30, 2011, TDG and Turi communicated with an Eastern European manufacturer of defense articles, logistics providers, and others, in furtherance of diverting the approved transaction to Libya. Beginning on June 21, 2011, TDG and Turi communicated with persons in Qatar, the United Arab Emirates, and Libya regarding this deal. These communications included sending a confirmation letter to an Egyptian national and an individual in Cyprus, intended for the signature of the Prime Minister of the Libyan Transitional National Council. The confirmation letter included a list of arms nearly identical to the list attached to the DDTC approval related to TDG's transaction with the Government of Qatar. The confirmation letter also stated that the intended end-use of the items was to "be utilized to defend the rights of the people in Libya." No actual transfer resulted from these communications.

DDTC gave mitigating consideration to: (1) TDG and Turi conveyed to DDTC that they believed the brokering activities were authorized, (2) the proposal and brokering activities for the transfer of defense articles to Libya did not result in an actual transfer, and (3) TDG and Turi's cooperation with DDTC throughout the review process, including agreeing to toll the statute of limitations. As a result, DDTC did not impose administrative debarment on TDG or Turi.

Charges

Two charges, as follows:

(1) One charge of unauthorized brokering (ITAR § 127.1(a)(6)).

(2) One charge of unauthorized proposal to a proscribed destination (ITAR § 127.1(d)).

Penalty
$200,000, suspended for the duration of the Consent Agreement (4 years). In the event of a material violation of the Consent Agreement, the penalty is due within 90 days. At the completion of the term of the Consent Agreement, if no material breach of the Consent Agreement has occurred, the penalty will be waived.

Directed Remediation

(1) TDG and Turi are to refrain from participating in activities subject to the ITAR for the term of the Consent Agreement.

(2) TDG and Turi are not to submit a Statement of Registration pursuant to the ITAR for the term of the Consent Agreement.

(3) Neither TDG nor Turi will assume the role of or be included as senior officer, subsidiary, or affiliate of any other ITAR registrant or intended ITAR registrant.

Microwave Engineering Corporation

Settled
June 20, 2016

Summary

Microwave Engineering Corporation ("MEC") settled one charge in connection with violations of the AECA and the ITAR caused by the company's unauthorized transfer of controlled technical data to foreign person from a proscribed destination. MEC is a designer and manufacturer of high-power, broadband passive components, antennas, and waveguides for radio frequency microwave and communication systems.

In May and again in September of 2009, an employee research scientist from the People's Republic of China ("PRC") signed MEC's Defense Security Service approved Technology Control Plan (TCP) that prevented foreign persons from being given access to classified material or unclassified information on any project involving the disclosure of technical data as defined in ITAR 120.10 until the individual's license authority had been approved. The employee was briefed by MEC's export compliance officer that they could only work on general research concepts and not on any specific product design or production. They were also moved to a segregated work space. However, from December 2009 to June 2010, the president of MEC and another engineer repeatedly provided the Chinese employee with technical data without first obtaining authorization or a license regarding five discrete research and manufacturing projects. MEC acknowledged that the relevant staff did not understand the ITAR definition of "foreign person" and that technical data related to a product in a preliminary evaluation phase were included in the ITAR definition of "technical data." Between May 11, 2010 and June 17, 2010 MEC provided technical data that was controlled under USML Category XI(b) to the Chinese employee on a project being supplied to a defense contractor for an antenna-related project. MEC's export compliance officer took steps to limit the conversations in May 2010 after discovering they were taking place. However, MEC did not disclose the unauthorized transfer until January 20, 2012, the same day that the president of the company pleaded guilty to an unrelated criminal violation of the AECA.

DDTC noted concern for the fact that the foreign person was from the PRC, the amount of time between discovery of the issues and notification of the Department and the potential harm to national security. However, DDTC gave mitigating consideration to IMEC's voluntary disclosure of the violation, cooperation with DDTC during the review process, and demonstrated improvements in MEC's internal compliance program. As a result, DDTC declined to impose administrative debarment on MEC.

Charges

One charge of an unauthorized export of controlled technical data under USML Category XI(b) to a foreign person from China without appropriate authorization (ITAR § 127.1(a)(1)) for the period from April 14, 2010 to June 17, 2010.

Penalty

$100,000 to be paid within thirty days of settlement.

Rocky Mountain Instrument Company

Modification of Statutory Debarment
April 15, 2016

Summary

Rocky Mountain Instrument Company ("**RMI**") pled guilty in June 2010 to one criminal count of knowingly and willfully exporting defense articles involving guidance or target systems for various military applications without a license to Turkey, South Korea, China and Russia. RMI was placed on probation for five years and sentenced to forfeit $1,000,000. Following this action, DDTC imposed statutory debarment pursuant to § 127.7(c) on September 8, 2010. On July 2, 2014, RMI requested rescission of the statutory debarment and reinstatement of export privileges.

After reviewing RMI's request, DDTC determined that exceptions to the statutory debarment (which is not rescinded) would be granted provided RMI followed the procedures outlined in the Agreement below. The exceptions are available for persons other than RMI, and explicitly exclude those acting for or on behalf of RMI. DDTC made this decision after reviewing the circumstances surrounding the conviction, RMI's remedial actions to eliminate the causes resulting in the conviction, RMI's current policies and procedures for compliance with ITAR and ACEA. The Agreement will remain in effect for two years.

Exceptions to Statutory Debarment

(1) Applications submitted by persons other than RMI for the export or temporary import of defense articles manufactured by RMI;

(2) Applications submitted by persons other than RMI for the export or temporary import of defense articles manufactured by persons other than RMI which incorporate a defense article manufactured by RMI as a component, accessory, attachment, part, firmware, software, or system;.

(3) The use of other approvals by persons other than RMI for the export or temporary import of defense articles described in categories (1) and (2) of ITAR § 120.20;

(4) Applications submitted by persons other than RMI for agreements identified in ITAR Part 124 in which RMI is identified as a U.S. signatory to the agreement.

Requirements Under the Agreement

(5) RMI shall appoint its Vice President of Corporate Affairs (Responsible Official) to serve as the responsible official for the oversight of RMI's responsibilities under the Agreement.

(6) The Responsible Official shall ensure that RMI has in place policies and procedures necessary to maintain full compliance with RMI's ITAR-regulated activities, and monitoring, improving, and updating those policies and procedures, as necessary. The Responsible Official shall be the primary point of contact between the Department and RMI for all ITAR-regulated activities conducted during the term of the Agreement. In the event of a reinstatement of RMI's export privileges during the term of the Agreement, in accordance with AECA § 38(g), no exports or transfers of ITAR controlled technical data or defense articles shall be conducted by RMI personnel without the knowledge and prior approval of the Responsible Official. Notwithstanding any license or other approval issued by the Department, the Responsible Official shall provide notification to the Office of Defense Trade Controls Compliance ("DTCC") prior to the actual export or transfer, which shall state that the Responsible Official has reviewed and approved the export or transfer.

(7) The Responsible Official shall implement the compliance measures required or identified by RMI during the term of the Agreement.

(8) The Responsible Officer shall provide to the Director, DTCC, and RMI's CEO status reports on AECA and ITAR compliance program enhancements and their effect or benefit to ensuring AECA and ITAR compliance six months from execution of the Agreement and semi-annually thereafter. These reports shall include a description of all activities involving defense articles manufactured by RMI during the period; information regarding the creation, storage, and transfer of technical data by RMI; information regarding RMI's compliance with the Agreement; findings, conclusions, and recommendations necessary to ensure AECA and ITAR compliance; allocation of resources towards AECA and ITAR compliance; and a summary of the recommendations from previous reports.

(9) The Responsible Official shall promote a corporate culture of ITAR awareness and shall ensure that all personnel receive the necessary training relevant to ITAR-regulated activities.

(10) RMI shall review and verify the export control jurisdiction of all items it manufactures within twelve months after the execution of the Agreement. RMI shall submit the review results to the Department in order to confirm its compliance with this requirement. During the term of the Agreement, should the Department publish final amendments to the USML after the classification review has been completed, RMI agrees to review the export control jurisdiction of all affected items within six months from the effective date of the amendment.

(11) RMI shall have one audit conducted during the term of the Agreement. The audit will be conducted by outside counsel or consultant with expertise in AECA and ITAR matters. RMI shall submit its proposed auditor to DTCC and shall not initiate the audit until the Director, DTCC has approved the auditor. The audit shall assess the overall effectiveness of RMI's ITAR compliance program and its implementation of the measures set forth in the Agreement. Within 12 months of execution of the Agreement, RMI will submit the draft plan for the audit to the Director, DTCC, for review and approval. Within six months after DTCC approval, the audit shall be completed and a written report submitted to the Director, DTCC, along with RMI's plan on how it will address any recommendations.

(12) Three months before the Agreement's second anniversary, RMI shall submit to the Director, DTCC a written certification as to whether: (1) RMI has implemented all aspects of the Agreement; (2) RMI's export compliance program has been assessed via an outside audit; and (3) RMI's export compliance program is adequate to identify, prevent, detect, correct, and report AECA and ITAR violations If, at the conclusion of the Agreement's two year term, no certification is submitted, the Agreement may be unilaterally terminated by the Department.

(13) Certify to DTCC three months before the second anniversary of settlement whether all measures have been implemented pursuant to the consent agreement and that the AECA and ITAR compliance program is adequate.

Intersil Corporation

Settled
June 16, 2014

Summary

Intersil Corporation ("**Intersil**") settled over three hundred charges in connection with violations of the AECA and the ITAR caused by the company's unauthorized export, reexport, and retransfer of defense articles. Intersil is a developer and manufacturer of high-performance power management and precision analog technology, including radiation tolerant and hardened integrated circuits ("**ICs**") that are used in various high-technology contexts and products. In September 2010, Intersil submitted a voluntary disclosure to DDTC with information about potential unauthorized exports of ICs after one of Intersil's foreign customers suggested that the ICs may have been subject to the ITAR. In November 2010, Intersil sought a commodity jurisdiction determination for a radiation-hardened quad voltage comparator. DDTC determined that the product was an ITAR-controlled defense article. In March 2011, Intersil submitted a second voluntary disclosure to DDTC, in which it revealed that over three thousand export transactions had occurred without proper authorization. Intersil attributed the violations to its mistaken belief that the ICs were regulated by the EAR and not subject to the ITAR.

DDTC noted that several of the violations may have harmed U.S. national security, and expressed particular concern for at least ninety-one unauthorized re-exports of ICs to the People's Republic of China ("**PRC**"). However, DDTC gave mitigating consideration to Intersil's voluntary disclosure of the violations, implementation of remedial compliance measures, and cooperation with DDTC during the review process. As a result, DDTC declined to impose administrative debarment on Intersil.

Charges

Three hundred thirty-nine violations, as follows:

(1) One charge of exporting ICs without appropriate authorization to Belgium, France, Germany, Hong Kong, Italy, Japan, the Netherlands, Russia, Spain, Sweden, and the U.K. (ITAR § 127.1(a)(1)).

(2) One hundred sixty-nine charges of exporting ICs without appropriate authorization to persons on the DTCC Watch List located in Hong Kong, the Republic of Korea, and Singapore (ITAR § 127.1(a)(1)).

(3) One charge of causing the re-export or retransfer of ICs without appropriate authorization to or within Argentina, Austria, Belgium, Canada, Denmark, Finland, France, Georgia, Germany, Greece, India, Israel, Italy, Japan, the Netherlands, Norway, the Republic of Korea, Russia, Spain, Sweden, Switzerland, and the U.K. (ITAR § 127.1(a)(4)).

(4) Seventy-seven charges of causing re-exports or retransfers of ICs without appropriate authorization to entities on the DTCC Watch List located in France, Germany, Greece, Hong Kong, India, the Republic of Korea, Russia, and Singapore (ITAR § 127.1(a)(4)).

(5) Ninety-one charges of causing re-exports of ICs to the PRC without appropriate authorization (ITAR § 127.1(a)(4)).

Penalty

$10 million, allocated as follows: (1) $3 million, to be paid within ten days of settlement; (2) $3 million, to be paid on the first anniversary of settlement; (3) $4 million shall be suspended if the funds are applied toward remedial compliance measures undertaken within the twenty-four months prior to settlement and afterward to Consent Agreement-authorized remedial compliance costs.

Directed Remediation

(1) Within sixty days of settlement, nominate an ISCO to be approved by DTCC within fifteen days, for the two-year duration of the consent agreement. The ISCO will be responsible for monitoring, overseeing, and promoting Intersil's AECA and ITAR compliance, and may be asked to oversee, monitor, and coordinate additional export-related activities, subject to agreement by Intersil and DTCC. Intersil's General Counsel will be required to brief the Board of Directors on findings and recommendations of the ISCO, Intersil's responses, implementation of recommendations, and the status of AECA and ITAR compliance, at least annually.

(2) Within one hundred twenty days of settlement, in coordination with the ISCO, conduct a review of Intersil's AECA and ITAR compliance resources, with a requirement that status reports on Intersil's compliance measures in its ITAR-regulated operating divisions, subsidiaries, and business units be provided to DTCC within six months of settlement and semi-annually thereafter.

(3) Publicize and promote Intersil's program for reporting violations of the AECA and the ITAR, with a requirement that Intersil's General Counsel submit a semi-annual report to the Board of Directors and DTCC on the effectiveness of the reporting program.

(4) Strengthen policies, procedures, and training for employees and supervisors within twelve months of settlement.

(5) Implement a comprehensive automated export compliance system and train all employees on proper handling of electronic transmissions of ITAR-controlled technical data, with requirements that Intersil provide a status report on the automated export compliance system to DTCC and that the system have a method of alerting users to AECA and ITAR requirements on electronic transmissions of ITAR technical data. The system must include a login banner describing such requirements and offering contact information for individuals who may have additional questions.

(6) Within twelve months of settlement, review and verify the export control jurisdiction of all items produced or offered by Intersil for export.

(7) Conduct two audits, subject to DTCC approval of an external auditor with expertise in AECA and ITAR issues and the audit plan. The auditor must submit a draft plan for the initial audit to DTCC within six months of settlement. Within twelve months of settlement, the auditor must produce a written report with findings and recommendations, to be submitted to DTCC. The auditor must submit a draft plan for the second audit, to evaluate whether Intersil addressed the recommendations from the first audit and recommend steps to address any deficiencies identified, within eighteen months of settlement. The second audit must be completed within twenty-one months of settlement, and must be submitted to DTCC with Intersil's plan for addressing any deficiencies.

(8) Ensure continued legal department support for AECA and ITAR compliance.

(9) Agree to arrange and facilitate DTCC on-site reviews with minimum notice for the duration of the consent agreement.

(10) Certify to DTCC three months before the second anniversary of settlement whether all measures have been implemented pursuant to the consent agreement and that the AECA and ITAR compliance program is adequate.

Esterline Technologies Corporation

Settled
March 5, 2014

Summary
Esterline Technologies Corporation ("Esterline"), a manufacturer of items for the aerospace and defense sectors, agreed to settle two hundred eighty-two charges in connection with alleged violations of the AECA and the ITAR by the company and seven of its subsidiaries. The charges related to unauthorized export of defense articles, including technical data; unauthorized provision of defense services; unauthorized temporary imports of defense articles; violations of terms and conditions of licenses or approvals; exports of defense articles that exceeded authorized quantities and values; improper use of exemptions; and failure to abide by various filing requirements. The broad range of items exported without proper authorization included optical filter parts, aircraft parts, wiring board assemblies, technical data related to variable resistor parts and assemblies for control panels, and parts for submarines and various military vehicles.

The charges arose following Esterline's rapid growth over several years due to its acquisition of other companies. Subsequently, a comprehensive review by DTCC and Esterline, various voluntary and directed disclosures, and an external audit of Esterline and seventeen subsidiaries to assess the company's compliance measures revealed that violations had occurred before and after the acquisitions. The violations resulted in part from a lack of understanding of subsidiaries' obligations under the ITAR; many of Esterline's subsidiaries incorrectly categorized products and technical data as EAR-controlled. Subsidiaries also exported certain items in excess of the quantities and values permitted under relevant licenses. Moreover, Esterline did not adequately provide corporate supervision of compliance measures.

DDTC gave mitigating consideration to: (1) Esterline's voluntary disclosures, (2) the fact that many improper transactions would probably have been approved had Esterline sought appropriate licenses, (3) Esterline's implementation of remedial compliance measures, (4) Esterline's cooperation with DDTC throughout the review process, and (5) the lack of harm to national security caused by the alleged violations. As a result, DDTC did not impose administrative debarment on Esterline.

Charges

Two hundred eighty-two charges, as follows:

(1) Two hundred and seventeen charges of exporting defense articles and technical data and providing defense services to Brazil, Burkina Faso, Canada, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, France, Honduras, India, Liechtenstein, Mexico, Spain, South Korea, and the U.K. without appropriate authorizations (ITAR § 127.1(a)(1)).

(2) Six charges of temporarily importing defense articles without appropriate authorizations (ITAR § 127.1(a)(3)).

(3) Thirty-seven charges of violating terms and conditions of certain licenses and agreements (ITAR § 127.1(b)(1)).

(4) Twenty charges of exporting defense services and technical data, and providing defense services, without fulfilling reporting requirements (ITAR § 127.1(b)(1)).

(5) One charge of failing to provide required information to DDTC regarding sales under a particular license (ITAR § 127.1(b)(1)).

(6) One charge of failing to include a subsidiary company on Esterline's registration with DDTC (ITAR § 127.1(b)(3)).

Penalty
$20 million, allocated as follows: (1) $4 million, to be paid within ten days of settlement; (2) $6 million, to be paid in $2 million annual installments on the first three anniversaries of settlement; and (3) $10 million, to be suspended if the funds are applied to remedial compliance measures and Consent Agreement-authorized compliance measures.

Directed Remediation

(1) Appoint an external SCO, subject to DTCC approval, for the three-year duration of the Consent Agreement, unless Esterline petitions for the SCO to be succeeded by an ISCO after the second anniversary of settlement, with a requirement that Esterline's General Counsel will brief the board of directors or appropriate committee thereof, on findings and recommendations of the SCO or ISCO and Esterline's response and implementation regarding the status of AECA and ITAR compliance, at least annually.

(2) Promote and publicize the availability of the company's internal reporting program for allegations of violations of the AECA and the ITAR, with the requirement that Esterline's General Counsel submit a semi-annual report on the program's effectiveness to the board of directors and DTCC.

(3) Strengthen AECA- and ITAR-related policies, procedures, and training for employees and supervisors within twelve months of settlement.

(4) Implement a comprehensive automated export compliance system and provide training to all employees on proper handling of electronic transmissions of ITAR-controlled technical data.

(5) Conduct a review of the automated compliance systems of Esterline's foreign operating divisions, subsidiaries, and business units engaged in AECA and ITAR activities, within twelve months of settlement, with a requirement that the review be provided to DTCC and the SCO. Implement a method to make users aware of relevant AECA and ITAR requirements of electronic transmissions of ITAR technical data, to include a login banner describing such requirements and offering contact information for individuals who may have additional questions.

(6) Conduct two external audits using an outside consultant with expertise in AECA and ITAR matters, subject to DTCC's approval of the consultant and supervision by the SCO, with a draft plan for the first audit to be submitted within six months of settlement and a written report to be submitted within twelve months of settlement, and a draft plan for the second audit to be submitted within twenty-four months of settlement and a written report to be completed within thirty months of settlement. DTCC may waive the second audit if Esterline completes an initial audit and submits a satisfactory report within six months of settlement.

(7) Ensure continued legal department support for AECA and ITAR compliance.

(8) Agree to arrange and facilitate DTCC on-site reviews with minimum notice for the duration of the consent agreement.

(9) Certify to DTCC three months before the three year anniversary of settlement whether all measures have been implemented pursuant to the consent agreement and that the AECA and ITAR compliance program is adequate.

Meggitt-USA, Inc.

Settled
August 23, 2013

Summary
Meggitt-USA, Inc. ("Meggitt-USA")[2] settled sixty-seven charges of alleged violations of the AECA and the ITAR caused by its subsidiaries' unauthorized export of defense articles, including technical data; unauthorized provision of defense services; violations of terms of licenses and authorizations; and failure to maintain sufficient records for transactions subject to the ITAR.

Meggitt-USA's subsidiaries develop and manufacture items for use in extreme environments, primarily for applications in the aerospace, defense, and energy sectors. The charges arose after a multi-year DDTC review and voluntary and directed disclosures by Meggitt-USA and its subsidiaries, and relate to violations that occurred both prior to and after the company's acquisition of certain subsidiaries. Many violations arose in part from the subsidiaries' lack of understanding of their ITAR-related compliance obligations. Notably, the Proposed Charging Letter details numerous instances of misconduct, including unauthorized exports to the People's Republic of China ("PRC"), which are not included in the charges.

DDTC gave mitigating consideration to: (1) Meggitt-USA's voluntary disclosures, settlement proposals, remedial compliance measures, and cooperation during the review process; (2) the fact that most of the violations took place before the subsidiary companies were acquired by Meggitt-USA; and (3) Meggitt-USA's settlement of other matters with the U.S. Department of Justice. However, DDTC noted that many of the violations were "long-standing" and the acquired companies exhibited a general indifference to export compliance. Moreover, one relevant disclosure was directed rather than voluntary. Based on the mitigating factors, DDTC declined to impose administrative debarment on Meggitt-USA.

Charges
Sixty-seven charges, as follows:

(1) Sixteen charges of unauthorized exports by subsidiaries of defense articles to Canada and the PRC (ITAR § 127.1(a)(1)).

(2) One charge of failure to notify DDTC of exports of defense articles to an entity in the PRC (ITAR § 126.1(e)).

(3) Five charges of unauthorized exports of technical data and provision of defense services by three subsidiaries to Japan, the PRC, Egypt, India, and the U.K. (ITAR § 127.1(a)(1)).

(4) Thirty-nine charges of violations by two subsidiaries of the terms, conditions, and provisos of technical assistance agreements, manufacturing license agreements, and DSP licenses involving defense services (ITAR § 127.1(a)(4)).

(5) Four charges of failure by one subsidiary to comply with administrative requirements of licenses, technical assistance agreements, and manufacturing license agreements (ITAR §§ 124.4(a), 123.22(b)(3)(ii)).

(6) Two charges of failure by two subsidiaries to maintain required records relating to technical assistance agreements and manufacturing license agreements (ITAR § 122.5).

Penalty
$25 million, allocated as follows: (1) $1 million to be paid within ten days of settlement; (2) $2 million to be paid in $1 million installments on the first and second anniversary of settlement; and (3) $22 million will be suspended on the condition that

[2] While it is a holding company for its North American subsidiaries, Meggitt-USA is itself a subsidiary of U.K.-based parent corporation Meggitt PLC.

Meggitt-USA applies the funds toward pre-existing remedial compliance measures and compliance measures authorized under the Consent Agreement.

Directed Remediation

(1) Nominate an ISCO within sixty days of settlement, to be approved within fifteen days by DTCC, who will oversee and monitor ITAR and AECA compliance for the duration of the consent agreement. The ISCO shall be responsible for (1) monitoring Meggitt-USA's policies and procedures, (2) overseeing the compliance program, and (3) reporting on compliance to DTCC and Meggitt-USA's Senior Vice President and General Counsel. Meggitt-USA's Senior Vice President and General Counsel shall brief the Board of Directors regarding the ISCO's findings and recommendations on an annual basis.

(2) In coordination with the ISCO, conduct an internal review within one hundred twenty days of settlement of AECA and ITAR compliance resources.

(3) Promote and publicize the availability of Meggitt-USA's internal reporting program for AECA and ITAR violations. The Senior Vice President and General Counsel shall provide a semi-annual report to the board of directors and DTCC on the status of the program.

(4) Strengthen AECA- and ITAR-related policies, procedures, and training within twelve months of settlement.

(5) Continue to implement a comprehensive automated export compliance system to strengthen internal controls for ensuring AECA and ITAR compliance. Ensure that recipients are made aware of AECA and ITAR requirements regarding electronic transmissions of ITAR technical data.

(6) Continue to review the export, re-export, and retransfer processes to ensure that they are effective in enabling compliance with export license authorizations and other relevant obligations.

(7) Within twenty-four months of settlement, review and verify the export control jurisdiction of all items produced or offered for export by Meggitt-USA's subsidiaries, business units, and divisions that are subject to the ITAR.

(8) Provide to the ISCO and an external consultant with expertise in AECA- and ITAR-related matters copies of Meggitt-USA's most recent audit reports and post-audit corrective action plans within the past three years. Within three months of settlement, the outside consultant shall review the AECA- and ITAR-related sections of the reports and plans and compile these into one report, which shall be reviewed by the ISCO within two months. Following review by the ISCO, the report and any ISCO findings and recommendations shall be submitted to the Senior Vice President and General Counsel with a focus on the problems identified in the Proposed Charging Letter and matters relevant to the consent agreement.

(9) If required by DTCC, perform a second audit for any identified subsidiaries, business units, and divisions. If a subsidiary, business unit, or division has not had an audit report and post-audit corrective action plan within the past three years, or if an audit report will not be available to the outside consultant within three months of settlement, complete an audit by an external consultant who has been approved by DTCC.

(10) Provide an initial draft audit plan to DTCC within five months of settlement, to include review of export compliance programs for subsidiaries, business units, and divisions which have not had an audit report and post-corrective action plan within the past three years, or for which an audit report was not available within three months of settlement. Complete the initial audit within fourteen months of settlement, to include an assessment of and recommendations for implementation of consent agreement measures and general export compliance.

(11) Submit a draft plan for a second audit, to evaluate implementation of recommendations from the initial audit, within seventeen months of settlement, with a requirement that the second audit be completed within twenty-five months of settlement.

(12) Ensure continued legal department support for AECA and ITAR compliance.

(13) Arrange and facilitate with a minimum of five days' notice on-site reviews by DTCC for the duration of the Consent Agreement.

(14) Twenty-seven months after settlement, certify whether all remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

Aeroflex, Inc.

Settled
August 6, 2013

Summary
Aeroflex, Inc. ("Aeroflex") settled one hundred fifty-eight charges that it violated the AECA and the ITAR by engaging in unauthorized exports and retransfers, and unauthorized re-exports of defense articles (including technical data) to countries that included proscribed destinations. The charges arose from voluntary disclosures made by Aeroflex and were caused by what DDTC characterized as a "systematic and corporate-wide failure" to recognize that certain electronics, radiation tolerant microelectronics, and technical data were controlled by the ITAR.

Aeroflex and its subsidiaries provide microelectronics, including radiation hardened and tolerant microelectronics, to the aerospace, defense, cellular, and broadband communications sectors as well as to military programs. Following a multi-year dispute with DDTC over whether various radiation tolerant microelectronics were controlled by the EAR or by the ITAR, Aeroflex acknowledged that its improper treatment of items as EAR-controlled had resulted in the export and re-export of thousands of products without appropriate authorizations to customers and destinations that included proscribed countries. DDTC noted that exports and re-exports of certain radiation tolerant microelectronics to the People's Republic of China had harmed U.S. national security interests by enhancing the quality and capabilities of Chinese satellites and military aircraft.

DDTC gave mitigating consideration to Aeroflex's voluntary disclosures and its implementation of remedial compliance measures, and acknowledged that Aeroflex had undertaken significant remedial action on discovering the violations and had cooperated with DDTC throughout the review process. As a result, DDTC did not impose administrative debarment on Aeroflex.

Charges
One hundred fifty-eight charges, as follows:

(1) Thirty-two charges of exporting ITAR-controlled microelectronics and electronics, without appropriate authorization, to entities in Argentina, Austria, Belgium, Brazil, Canada, Finland, France, Germany, India, Israel, Italy, Japan, Kuwait, Luxemburg, the Netherlands, Poland, Russia, Singapore, South Korea, South Africa, Spain, Sweden, Switzerland, Taiwan, Turkey, United Arab Emirates, and the U.K. (ITAR § 127(a)(1)).

(2) Ninety-six charges of exporting ITAR-controlled microelectronics, without appropriate authorization, to entities in the PRC. (ITAR § 127(a)(1)).

(3) Eighteen charges of selling ITAR-controlled items to domestic purchasers, who subsequently exported the items without appropriate authorization based on Aeroflex's failure to recognize that the items were subject to the ITAR. (ITAR § 127(a)(4)).

(4) Seven charges of exporting ITAR-controlled items to foreign entities, who subsequently re-exported the items to the PRC without appropriate authorization based on Aeroflex's inaccurate jurisdiction determination. (ITAR § 127(a)(4)).

(5) One charge of selling ITAR-controlled integrated circuits ("ICs") to the UAE, with knowledge that the ICs would be re-exported for use in projects in India, without appropriate authorization. (ITAR § 127(a)(4)).

(6) Four charges of exporting USML-controlled radiation hardened microelectronics to Canada, without appropriate authorization. (ITAR § 127(a)(1)).

Penalty
$8 million, allocated as follows: (1) $2 million to be paid within ten days of settlement; (2) $2 million to be paid in $1 million installments on the first and second anniversaries of settlement; (3) $4 million will be suspended if the funds are applied to pre-existing remedial compliance measures and compliance measures authorized under the Consent Agreement.

Directed Remediation

(7) Within sixty days of settlement, nominate an ISCO, subject to approval by DTCC, who will oversee and support Aeroflex's AECA and ITAR compliance policies and procedures, implementation of compliance measures, and reporting obligations during the two-year period of the consent agreement. Aeroflex's Senior Vice President and General Counsel must brief the board of directors (or appropriate committee thereof) on the ISCO's findings and recommendations as well as Aeroflex's AECA and ITAR compliance measures, at least annually.

(8) Implement, promote, and publicize a program for employees to report alleged violations of the AECA and the ITAR. Aeroflex's General Counsel must provide a semi-annual report to the board of directors (or appropriate committee thereof) and DTCC on the effectiveness of the program.

(9) Strengthen policies, procedures, infrastructure, and training within twelve months of settlement.

(10) Implement a comprehensive automated export compliance system for ITAR-regulated operating divisions, subsidiaries, and business units, unless specifically exempted by DTCC.

(11) Develop and implement policies, procedures, and training to ensure accurate identification and tracking of ITAR-controlled technical data that is transferred electronically, including by email and transfers outside of Aeroflex's information technology networks.

(12) Conduct a review during the term of the Consent Agreement to verify the export control jurisdiction of all hardware exported in the past five years by Aeroflex's ITAR-regulated operating divisions, subsidiaries, and business units, as well as any defense services and technical data (including software) that is directly related to the hardware. Review and confirm the export control jurisdiction of each hardware item (and any defense services, technical data, including software, directly related to the hardware item) for which jurisdiction was not previously and accurately determined or confirmed during the Consent Agreement. Implement a revised program for jurisdictional determinations in all of Aeroflex's ITAR-regulated operating divisions, subsidiaries, and business units.

(13) Conduct two external audits during the period of the Consent Agreement, subject to prior DTCC approval of the auditor and draft audit plan, and supervision by the ISCO. Within six months of settlement, submit to DTCC the draft plan for the first audit, to be completed within twelve months of settlement. Within eighteen months of settlement, submit to DTCC the draft plan for the second audit, to be completed within twenty-one months of settlement.

(14) Ensure continued legal department support for AECA and ITAR compliance.

(15) Arrange and facilitate with minimal advance notice on-site reviews by DTCC during the period of the Consent Agreement.

(16) Three months before the two-year anniversary of settlement, certify to DTCC whether all aspects of the Consent Agreement have been implemented and whether Aeroflex's export compliance program is sufficient.

Raytheon Company

Settled
April 30, 2013

Summary
Raytheon Company ("**Raytheon**") settled one hundred twenty-five charges concerning its failure to abide by the terms and conditions of its agreements under Parts 123 and 124 of the ITAR. The violations were diverse in nature, and included the manufacture of hardware above authorized quantities; lack of compliance with documentation obligations; and failure to properly administer, track, and value temporary import and export authorizations. Notably, many violations occurred after Raytheon had implemented compliance measures that it had adopted following consultations with, and recommendations from, DDTC. At least several violations occurred repeatedly with respect to the administration of the same agreement or business unit. Additionally, DDTC noted that certain improper transactions would have required Congressional notification and involvement if DDTC had been aware of the nature of the transactions. Because Raytheon failed to meet its compliance obligations, DDTC was unable to fulfill its duty to notify Congress with respect to the relevant agreements. DDTC characterized Raytheon's pattern of repeated violations as evidence of a "corporate-wide weakness" in export compliance. DDTC gave mitigating consideration to Raytheon's voluntary disclosures and implementation of remedial compliance measures. As a result, DDTC declined to impose administrative debarment on Raytheon.

Charges

One hundred twenty-five charges, as follows:

(1) One hundred ten charges of failing to abide by the administrative terms and conditions associated with DDTC-approved Part 124 agreements (ITAR §§ 127.1(a)(4), 127.1(b), 127.2, 124.1(c)).

(2) Fifteen charges of failing to abide by the requirements associated with DDTC-approved Part 123 temporary import and export authorizations (ITAR §§ 123.1, 123.3, 123.5, 123.22(c)(2), 127.1(a)(4), 127.1(b)).

Penalty
$8 million, of which $4 million shall be paid within ten days of settlement and $4 million shall be suspended if applied to pre-existing remedial compliance measures and measures authorized under the consent agreement.

Directed Remediation

(3) Nominate an external, unaffiliated SCO, subject to DTCC approval within fifteen days, for a minimum of two years and up to four years, unless, after the second anniversary of settlement, Raytheon petitions DTCC for the SCO to be succeeded by an ISCO for the remaining duration of the consent agreement, with a requirement that Raytheon's Senior Vice President and General Counsel brief the board of directors or appropriate committee thereof on findings and recommendations of the SCO or ISCO and Raytheon's response and implementation regarding the status of AECA and ITAR compliance, at least annually.

(4) Within one hundred twenty days of settlement, conduct an internal review in coordination with the SCO of Raytheon's AECA and ITAR compliance resources.

(5) Within six months of settlement, and semi-annually thereafter, complete and submit to DTCC status reports on compliance measures and compliance-related resources of ITAR-regulated operating divisions, subsidiaries, and business units.

(6) Continue to promote and publicize the availability of the company's employee reporting mechanisms for allegations of violations of the AECA and the ITAR. Raytheon's General Counsel must submit a report that evaluates the employee reporting mechanisms on a semiannual basis to Raytheon's Board of Directors (or the appropriate committee thereof) and DTCC.

(7) Strengthen AECA- and ITAR-related compliance policies, procedures, and training within twelve months of settlement.

(8) Continue to implement a comprehensive automated export compliance system, which shall include automated management of compliance with agreements under ITAR Part 124 and temporary import and export authorizations under ITAR Part 123.

(9) Develop and implement policies, procedures, and training to ensure accurate identification and tracking of ITAR-controlled technical data that is transferred electronically, including by email and transfers outside of Raytheon's information technology networks.

(10) Conduct a study to identify feasible enterprise improvements to maximize automation of the identification and tracking of ITAR-controlled technical data and, on the basis of such study, propose and submit an implementation plan to DTCC within one hundred twenty days of settlement.

(11) Review and verify the export control jurisdiction of all hardware (including software), and any defense services or technical data directly related to such hardware, that have been exported in the past five years and conclude such jurisdiction review within the four-year term of the consent agreement.

(12) Conduct two external audits using an outside consultant with expertise in AECA and ITAR matters, subject to DTCC's approval of the consultant and supervision by the SCO (or, if appropriate, the ISCO), the first audit to be planned within six months of settlement and a written report to be submitted within twelve months after settlement, and the second audit to be planned within thirty months after settlement and a written report to be submitted within thirty-six months of the settlement.

(13) Ensure continued legal department support for AECA and ITAR compliance.

(14) Agree to arrange and facilitate DTCC on-site reviews with minimum notice for the duration of the consent agreement.

(15) Three months prior to the four-year anniversary of settlement, certify to DTCC whether all remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

2012

United Technologies Corporation

Civil Case

Settled
June 28, 2012

Summary
United Technologies Corporation ("**UTC**") settled over five hundred charges in connection with alleged violations of the AECA and the ITAR, as well as alleged violations by its subsidiaries Hamilton Sundstrand Corporation ("**HSC**"), Kidde Technologies, Inc. ("**KTI**"), and Pratt & Whitney Canada Corp. ("**PWC**"), among others, caused by the company's unauthorized export and transfer of defense articles, including technical data, and unauthorized provision of defense services to proscribed countries.

UTC's Canadian subsidiary, PWC, manufactures aircraft engines for civil aircraft and modifies the civil engines using U.S.-origin, ITAR-controlled defense articles and technical data. PWC entered into negotiations with the China Aviation Industry Corporation II of the People's Republic of China ("**PRC**") to develop and sell engines for Chinese helicopters. Internal PWC documents demonstrated that PWC discussed using these engines on Chinese Z-10 helicopters, which have been described as the PRC's first modern military attack helicopters. The engines developed for the civil helicopters were identical to the engines used in the military helicopters and were therefore determined not to be ITAR-controlled. However, the Electronic Engine Control ("**EEC**") software that was developed to test the engines was modified to interface with military helicopters and at that point became a defense article and ITAR-controlled. PWC relied on UTC's subsidiary in the United States, HSC, to modify the EEC software. HSC exported test versions of modified EEC software to PWC eleven times between 2002 and 2003 without authorizations. PWC reexported the modified EEC software six times to the PRC during 2002-2003. In early 2004, HSC terminated work on the project because of concerns relating to export controls compliance. Later, in 2004-2005, PWC modified the EEC software without HSC's assistance and reexported it to the PRC four additional times without the appropriate authorizations.

In February 2006, two years after HSC voluntarily terminated its work on this project, UTC received an email inquiry from an institutional investor about PWC's participation in developing Chinese Z-10 combat helicopters. According to official U.S. government documents, UTC initiated an internal review in July 2006, following the investor inquiry. UTC, HSC, and PWC submitted voluntary disclosure letters to DDTC in July through September 2006 describing unauthorized reexports to the PRC. According to the U.S. government, these voluntary disclosures contained materially false statements regarding PWC's knowledge of the military nature of the Z-10 helicopters program.

In addition, KTI (UTC's U.S. subsidiary) had a history of noncompliance that had not been properly remediated. HSC submitted a voluntary disclosure to DDTC describing violations that occurred in June 2011 when two ITAR-controlled aircraft parts were exported to Singapore and then reexported to airline customers in the PRC and the Republic of Korea. HSC's voluntary disclosure included information about a previous unauthorized export of ITAR-controlled parts to Singapore in May 2009. DDTC indicated in the proposed charging letter that these violations evidenced the "systemic, corporate-wide failure to maintain effective ITAR controls" throughout UTC's operating units.

This case is notable because it appears that UTC's disclosure to DDTC was instigated by investor inquiries about the company's involvement in defense trade with the PRC. In addition this case involved close coordination among many U.S. government agencies. UTC, HSC, and PWC entered into global settlements with the DDTC and the U.S. Justice Department to resolve respective civil and criminal allegations (see criminal allegations below).

Despite the aggravating factors described above, DDTC gave mitigating consideration to the fact that: (1) UTC voluntarily disclosed the violations; and (2) UTC engaged in remedial compliance measures.

Charges
Five hundred seventy-six violations, as follows:

(1) Thirteen charges of exporting specially modified software for use in a military attack helicopter without authorization to Canada (ITAR § 127.1(a)(1)).

(2) Eleven charges of reexporting specially modified software for use in a military attack helicopter without the appropriate authorizations to China (ITAR § 127.1(a)(1)).

(3) One charge of exporting a defense article to Canada without filing the required export information with U.S. Customs and Border Protection (ITAR § 123.22(b)).

(4) One charge of failing to notify DDTC immediately after UTC knew of the sale/transfer of a defense article to a proscribed country (ITAR § 126.1(e)).

(5) Fifty-eight charges of exporting defense articles incorrectly determined not to be ITAR-controlled to fifteen countries without the appropriate authorizations (ITAR § 127.1(a)(1)).

(6) One charge of exporting an avionics intermediate maintenance test stand to the Venezuelan Defense Ministry/Air Force without the appropriate authorization (ITAR § 127.1(a)(1)).

(7) Fifty-one charges of UTC's subsidiary, P&W U.S., exporting technical data and automation tools to an Indian company and its engineer employees without authorization (ITAR § 127.1(a)(1)).

(8) One charge of UTC's subsidiary, HSC, exporting a laptop containing technical data to the PRC without authorization (ITAR § 127.1(a)(1)).

(9) Four hundred thirty-seven charges of failing to abide by the terms and conditions of its technical assistance agreements, manufacturing license agreements, and warehouse and distribution agreements (ITAR §§ 127.1(a)(4), 127.2 and 124.1(c)).

(10) Two charges of UTC's subsidiary, KTI, exporting defense articles to Singapore without the appropriate authorization (ITAR § 127.1(a)(1)).

Penalty

$55 million, allocated as follows: (1) $35 million, payable in five $7 million annual installments commencing within ten days of settlement; (2) $5 million will be suspended if applied toward remedial compliance measures; and (3) $15 million will be suspended if applied to remedial compliance measures over a four-year period.

In addition, PWC was debarred from ITAR-controlled defense trade, subject to the availability of specific transaction exceptions for activities deemed to be in the national security and foreign policy interests of the United States, with eligibility to seek reinstatement after one year.

UTC, HSC, and PWC also agreed to pay approximately $20.7 million pursuant to the Deferred Prosecution Agreement with the U.S. Justice Department, as described below.

Directed Remediation

(1) Appoint an outside SCO, (who may also serve as the independent monitor required in connection with the related criminal matter described below), subject to DDTC approval, for a minimum of two years and up to four years, unless UTC petitions for the SCO to be succeeded by an ISCO for an additional two years, with a requirement that UTC's Senior Vice President and General Counsel will brief the board of directors or appropriate committees thereof, on findings and recommendations of the SCO and UTC's response and implementation regarding the status of AECA and ITAR compliance, at least annually.

(2) Continue to promote and publicize the availability of the company's employee reporting mechanisms for allegations of violations of the AECA and the ITAR.

(3) Strengthen compliance policies, procedures, and training within twelve months of settlement.

(4) Continue to implement a comprehensive automated export compliance system to strengthen internal controls for ensuring AECA and ITAR compliance. The system will cover the initial identification of all technical data and technical assistance and will be accessible to DDTC on request.

(5) Develop and implement policies, procedures, and training to ensure accurate identification and tracking of ITAR-controlled technical data that is transferred electronically, including by email and transfers outside of UTC's information technology networks.

(6) Conduct a study to identify feasible enterprise improvements to maximize automation of the identification and tracking of ITAR-controlled technical data and, on the basis of such study, propose an implementation plan and submit the implementation plan to DDTC within one hundred twenty days of settlement.

(7) Review and verify the export control jurisdiction of all hardware (including software), and any defense services or technical data directly related to such hardware, that have been exported in the past five years and conclude such jurisdiction review no later than twenty-four months after the settlement.

(8) Conduct two external audits using an outside consultant with expertise in AECA/ITAR matters, subject to DDTC's approval of the consultant and supervised by the SCO, the first audit to be planned within six months of settlement and a written report to be submitted within twelve months after settlement, and the second audit to be planned within thirty-six months after settlement and a written report to be submitted within forty-two months of the settlement.

(9) Certify to DDTC three months prior to the four-year anniversary of the settlement whether all remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

Criminal Case

Settled
June 28, 2012

Summary
On June 28, 2012, UTC, HSC, PWC, the U.S. Justice Department, and the U.S. Attorney's Office for the District of Connecticut (the "**Office**") entered into a Deferred Prosecution Agreement. PWC and the Office entered into a separate plea agreement in which PWC pled guilty to two out of three criminal charges. In the information the Office alleged that PWC knew that China was developing a military attack helicopter from the start and that PWC withheld such information from UTC and HSC. The Office also alleged that PWC hid its concerns regarding defense article classification and export compliance from UTC and HSC until years later. From 2002-2003, PWC led HSC to believe that its EEC software was being used in civil non-military Chinese helicopters.

The Office agreed to request deferred prosecution for two years for UTC and HSC on Count 2 and PWC and HSC on Count 3 because of their remedial actions and their willingness to: (1) continue corrective action and undertake remedial measures; (2) acknowledge responsibility for their behavior; (3) continue their cooperation with the Office and other government regulatory agencies; (4) demonstrate their future good conduct and full compliance with export laws and regulations; and (5) consent to pay penalties. If UTC, HSC, and PWC are in compliance with all of their obligations under the deferred prosecution agreement within thirty days after the two-year deferral period, as determined by the Office, the Office will file a motion to dismiss the deferred counts.

Charges
Three counts, as follows:

(1) Against PWC Only: Willfully exporting defense articles without a license in violation of the AECA (on or between January 2002 and October 2003) (22 U.S.C. §§ 2778(b)(2) and 2778(c); 18 U.S.C. § 2; and (c); ITAR §§ 127.1(a) and 127.3). PWC pled guilty to this count.

(2) Against UTC, HSC and PWC: Making false statements to DDTC (on or between July 2006 and September 2006) (18 U.S.C. § 1001). PWC pled guilty to this count. The Office agreed to request deferred prosecution for UTC and HSC on this count for two years.

(3) Against PWC and HSC: Willfully failing to timely inform DDTC of the export of defense articles without a license to an embargoed country (on or between 2002 and July 2006 for PWC and on or between 2004 and July 2006 for HSC) (22 U.S.C. § 2778(c); ITAR §§ 126.1(a) and (e)). The Office agreed to request deferred prosecution on this count for two years.

Penalty

$20,700,800, allocated as follows: (1) $4.6 million as a criminal fine equal to twice the value of PWC's total gross gain from activities described in Count 1; (2) $800 as a special assessment on PWC's convictions ($400 per count); (3) $2.3 million as a forfeiture of proceeds equal to the estimated value of PWC's total gross profit earned on activities described in Count 1; and (4) $13,800,000 as a deferred prosecution monetary penalty. PWC agreed to pay the amounts listed in (1), (2) and (3). The U.S. Justice Department did not allocate any penalty funds toward directed remediation.

Directed Remediation

UTC, HSC and PWC agree to:

(1) Retain an independent monitor to oversee UTC, HSC and PWC's compliance with the Deferred Prosecution Agreement, the AECA, the ITAR, the Export Administration Act, the EAR and the International Emergency Economic Powers Act.

(2) Meet annually, or more frequently if appropriate, with the Office to discuss the monitorship.

(3) Submit a Training Program proposal to the independent monitor within one hundred twenty days, which includes:

   a. obligations imposed by federal export laws and regulations, including disclosure obligations;

   b. proper internal controls and procedures;

   c. discovering and recognizing export compliance issues; and

   d. obligations assumed by, and responses expected of, employees upon learning of improper or potentially illegal acts relating to export compliance.

(4) Undertake a training program no later than ninety days after the Training Program proposal is approved.

(5) Maintain records of training programs provided, including the names and titles of individuals who received training, for at least five years.

(6) Submit an annual compliance certification to the independent monitor signed by UTC's Chairman, President and CEO, the Senior Vice President and General Counsel who serves as the empowered official, and the Associate General Counsel with oversight for export control compliance.

Alpine Aerospace Corporation/TS Trade Tech

Settled
March 28, 2012

Summary
Each of Alpine Aerospace Corporation ("**Alpine**") and TS Trade Tech Incorporated ("**TS Trade**") settled charges alleging that each company violated the AECA and ITAR with nine violations. Each of Alpine and TS Trade allegedly: (1) participated in unauthorized exports of defense articles; (2) misrepresented and omitted materials facts on an export control document; and (3) failed to obtain required nontransfer and use certificates.

Alpine's president and the Chief Executive Officer of TS Trade, Mr. Tae Hoon Kim, participated in international sales of replacement parts produced by Alpine and TS Trade. Alpine and TS Trade are owned by the same person. Between July 1, 2005 and January 31, 2007 Mr. Tae Hoon Kim exported missile components on behalf of Alpine and TS Trade six times and, in certain cases, did so under U.S. export licenses authorizing the export of aircraft engine parts (not the missile parts that were sent).

Alpine sent these parts to the Republic of Korea Air Force in South Korea and the items exported were: (1) four flywheels; (2) thirty lever locks; (3) thirty electron tubes; (4) four spiders; and (5) two connecting links. All of these parts were classified under the USML either as Category IV(h) or XI(c). Alpine did not obtain a DSP-83 Non-Transfer and Use Certificate for its exports. Alpine violated ITAR §127.2(a) when it declared incorrectly that its exports were covered by an export license for airplane parts. On September 1, 2006, TS Trade exported twenty flanges that were classified under the USML as Category VIII(h) without the necessary authorizations. In its charging letter, DDTC indicated that neither Alpine nor TS Trade had sufficient policies and procedures regarding export compliance.

DDTC discovered the apparent violations of the ITAR after a joint investigation by DCIS and ICE uncovered illegal exports that were sent to South Korea. A criminal information was filed in federal court charging Alpine with violating 18 U.S.C. § 1001 (making false statements). On October 27, 2010, Alpine pled guilty to the allegations that Alpine included false statements on its shipper export declaration forms stating that the defense articles Alpine exported were aircraft and engine parts instead of indicating that such items were missile components. Although TS Trade was not involved in the DCIS and ICE investigation or the criminal charges, TS Trade submitted a voluntary disclosure describing its ITAR violations pursuant to ITAR §127.12.

This case is noteworthy because of the interagency work that brought the violations to the DDTC's attention and the low penalties charged to the companies for these violations.

Charges
Each of Alpine and TS Trade settled nine charges, as follows:

(1) Seven charges of violating of exporting items categorized under USML Categories IV, VIII, and XI to South Korea without the appropriate authorizations (ITAR §127.1(a)(1)).

(2) One charge for using export control documents containing misrepresentations and omissions of facts relating to exports of defense articles under USML Categories IV and XI (ITAR §127.2(a)).

(3) One charge for failing to obtain Non-Transfer and Use Certificates (Form DSP-83) for the export of Category VI or XI defense articles (ITAR §127.1).

Penalty
Alpine shall pay $30,000 which shall be applied over a two-year period to defray a portion of the costs associated with the directed remediation compliance measures.

TS Trade shall pay $20,000 which shall be applied over a two-year period to defray a portion of the costs associated with the directed remediation compliance measures.

Directed Remediation

Each of Alpine and TS Trade agreed to remedial measures, as follows:

(1) Ensure that adequate resources are dedicated to ITAR compliance.

(2) Establish policies and procedures for all Alpine and TS Trade employees outlining employees with responsibility for ITAR compliance that specifically identifies lines of authority, staffing increases, performance evaluations, career paths, promotions, and compensation.

(3) Ensure effective export control oversight, infrastructure, policies, and procedures are in place for ITAR-regulated activities.

(4) Implement strengthened corporate export control procedures, within one year of settlement, such that: (a) all employees engaged in ITAR-regulated activities are familiar with the AECA and ITAR, and each employee is aware of the employee's and Alpine's or TS Trade's (as applicable) responsibilities to comply with such laws and regulations; (b) all persons responsible for supervising the employees are knowledgeable about the underlying policies and principles of the AECA and ITAR; and (c) there are records indicating the names of employees, trainers, and level and area of training received by each.

(5) Conduct two external audits (the first within one year of settlement and the second within two years of settlement) subject to prior DDTC approval of the auditor and audit plan, and submit to DDTC a final report of findings and recommendations for each audit.

(6) For the duration of the consent agreement, incorporate the foregoing measures into any business acquisitions and notify DDTC sixty days prior to the sale of Alpine, TS Trade, or any of their business units or divisions, and require the purchaser in such case to agree in writing to be bound by the terms and conditions of the settlement, including the foregoing measures.

BAE Systems plc

Settled
May 16, 2011

Summary
BAE Systems plc, United Kingdom ("**BAE UK**"), settled a staggering two thousand five hundred ninety-nine charges for it, its businesses, units, subsidiaries, and operating divisions.[3] The charges, which span from 1998 to 2011, concerned unauthorized brokering and related activities, failure to report commissions to third parties, and recordkeeping violations. The charges related to: (1) marketing JAS-39 "**Gripen**" military aircraft to Brazil, Chile, the Czech Republic, Hungary, the Philippines, Poland, and South Africa; (2) exporting "**Hawk**" Trainer aircraft to Australia, Bahrain, Canada, India, Indonesia, and South Africa; (3) marketing or exporting EF-2000 Eurofighter "**Typhoon**" aircraft to Australia, Austria, the Czech Republic, Denmark, Greece, Japan, the Netherlands, Norway, Poland, Saudi Arabia, Singapore, South Korea, and Switzerland; (4) marketing three refurbished Type 23 frigates to Chile; and (5) other unspecified defense trade transactions.[4]

DDTC initiated its investigation in relation to a March 2010 plea agreement between BAE UK and the U.S. Justice Department alleging criminal conspiracy to violate U.S. federal laws, including the ITAR by failing to report commissions paid to third parties. The plea agreement capped a global criminal settlement involving both the U.S. Justice Department and the U.K. Serious Fraud Office, which followed a long-ranging international fraud and bribery investigation against BAE UK, and which resulted in a total of nearly $450 million in criminal fines that BAE UK paid to the United States (approximately $400 million) and to the United Kingdom (approximately $47 million).

Following the U.S. plea agreement, DDTC imposed an "administrative hold" on ITAR authorizations involving BAE UK and its covered affiliates, and conducted its own civil investigation. DDTC gave mitigating consideration to the fact that BAE UK: (1) made changes to its senior management and Board of Directors; and (2) implemented remedial compliance measures, in connection with the criminal investigation.

On the other hand, DDTC considered as serious aggravating factors: (1) BAE UK's "failure to cooperate fully" throughout the fourteen-month investigation; (2) its incomplete responses to requests for information; (3) its failure to maintain or produce relevant records; (4) the frequency and type of violations; (5) the complicity of former senior management in authorizing the violations; (6) the systemic, widespread, and sustained nature of the violations (more than ten years); and (7) the fact that BAE UK only disclosed three violations itself at DDTC's direction, and not voluntarily. Citing BAE UK's lack of cooperation and inability to produce requested information (in part, in stated reliance on UK secrecy laws), DDTC noted that it was unable to complete a full review and was forced instead to make a "reasoned approximation" of the nature and type of violations by relying on collateral sources.

This case is notable because it involves the most proposed charges and the largest civil penalty for a consent agreement to date.

Charges
Two thousand five hundred ninety-one violations, as follows:

(1) Fourteen charges of failing to register as a broker while engaging brokering activities from 1998 to 2011 (ITAR § 129.3).

[3] DDTC determined that BAE UK's U.S. subsidiary, BAE Systems, Inc. (including its subsidiaries, collectively, "BAE US"), was not involved in the activities in question and excluded BAE US from this enforcement action.

[4] The proposed charging letter reflects that certain activities related to the "Gripen" aircraft commenced as early as 1995, but the charges reflect the fact that the ITAR brokering requirements became effective in 1998.

(2) One thousand one hundred thirty charges of engaging in unauthorized brokering activities from 1998 to 2007 (eight charges concerning JAS-39 "**Gripen**" aircraft; thirteen concerning EF-2000 Eurofighter "**Typhoon**" aircraft; six concerning "**Hawk**" trainer aircraft; three concerning Type 23 frigates; one hundred (estimated) concerning unspecified instances in which BAE UK financed brokering by making payments to unidentified brokers; and one thousand (estimated) concerning unspecified instances in which Red Diamond Trading Ltd., acting on behalf of and at the direction of BAE UK, financed brokering by making payments to unidentified brokers) (ITAR § 129.6).

(3) Thirteen charges of failing to provide an annual report of brokering activities from 1998 to 2010 (ITAR § 129.9).

(4) Three hundred charges of causing unauthorized brokering from 1998 to 2007 by using unauthorized brokers (ITAR § 127.1(d)).

(5) Three charges of failing to disclose payments in respect of a sale for which a license or other approval was required (ITAR § 130.9).

(6) One thousand one hundred thirty-one charges of failing to maintain records of brokering and financing of brokering by payments to other brokers (one hundred thirty-one charges concerning BAE UK and one thousand (estimated) concerning Red Diamond Trading Ltd, acting on behalf of and at the direction of BAE UK) (ITAR § 129.4(c)).

Penalty

$79 million, allocated as follows: (1) $69 million, of which $18 million is payable within ten days of settlement, and the remainder is payable in annual installments of $17 million each beginning one year from the date of settlement; (2) $10 million suspended in the following manner: (a) $3 million credited for pre-consent agreement remedial compliance measures, if determined to be eligible; and (b) $7 million applied to directed remediation over four years.

BAE UK was statutorily debarred in connection with its criminal plea and pre-settlement ITAR authorizations were placed on "administrative hold." DDTC immediately lifted the debarment in connection with the settlement, but imposed a denial policy against three BAE UK entities; namely, BAE Systems CS&S International, Red Diamond Trading Ltd., and Poseidon Trading Investments Ltd. (including their divisions, business units, and successor entities). Specific transaction exceptions to the denial policy may be granted on a case-by-case basis, when based on overriding national security and foreign policy interests. Authorizations for the denied entities that were issued prior to settlement remain valid.

Directed Remediation

(1) Nominate an external, unaffiliated SCO, to be appointed within fifteen days of DDTC concurrence, who will oversee and support ITAR compliance, for no less than the first three years of the consent agreement. If DDTC does not extend the SCO's term or extends the term for less than the four-year duration of the consent agreement, the SCO shall recommend an internal successor to serve as an ISCO. The SCO or ISCO shall be responsible for: (a) monitoring ITAR compliance policies and procedures; (b) overseeing the compliance program; and (c) reporting on compliance to DDTC at specified times.

(2) Conduct an internal review within one hundred twenty days of ITAR compliance resources directed toward the types of violations included in the proposed charging letter, to include an estimate of the current number and types of personnel engaged in brokering activities, and provide a report of the same to the SCO and DDTC.

(3) Strengthen policies, procedures, and training within twelve months of settlement, with a focus on ITAR brokering (ITAR Part 129) and financial reporting (ITAR Part 130) requirements.

(4) Review and where necessary improve current technology systems for tracking ITAR-controlled activities. Train employees regarding the same.

(5) Conduct two external audits, subject to prior DDTC approval of the auditor and audit plan, and oversight by the SCO or ISCO, and submit to DDTC a final report of findings and recommendations, the first within one year of settlement, and the second within forty-two months of settlement. Agree not to assert attorney-client privilege over the audit results and report.

(6) Publicize internally the availability of the company's ethics helpline for reporting concerns, and include with required reports to DDTC an assessment of the hotline's effectiveness.

(7) Agree to arrange and facilitate a DDTC on-site review with minimum notice for the duration of the consent agreement.

(8) Ensure continued legal department support for ITAR compliance.

(9) For the duration of the consent agreement, incorporate the foregoing measures into any business acquisitions involving ITAR-controlled activities, and require the purchaser in any divestiture involving ITAR-controlled activities to agree to be bound by the terms of the settlement, including the foregoing measures.

Xe Services LLC

Settled
August 18, 2010

Summary
Xe Services LLC (formerly EP Investments, LLC, a.k.a. Blackwater Worldwide) settled hundreds of charges for it and its five subsidiaries: GSD Manufacturing, LLC (formerly Blackwater Target Systems, LLC); Aviation Worldwide Services, LLC; Presidential Airways, Inc.; Total Intelligence Solutions, LLC; and Paravant, LLC. The charges concerned making proposals to a proscribed country, the unauthorized exportation of technical data and defense articles (including firearms), providing defense services and access to ITAR-controlled activities to unauthorized foreign persons, failing to maintain proper records, and making false statements, misrepresentations, and omissions of material fact on several disclosures. The charges were the result of a two-and-a-half year investigation involving thirty-one disclosures, sixteen of which were directed and fifteen of which were voluntary.

DDTC gave mitigating consideration to the fact that: (1) the violations occurred while servicing U.S. government programs; (2) several disclosures were voluntary; (3) Xe Services implemented remedial compliance measures during the latter part of the investigation; (4) Xe Services cooperated with the State Department during the latter part of the investigation; and (5) there was no actual harm to national security.

On the other hand, DDTC considered several aggravating factors when determining Xe Services LLC's penalty, including: (1) an "historic inability" to comply with ITAR; (2) the frequency and nature of the violations; (3) failure to cooperate during the first eighteen months of the investigation; (4) failure to maintain proper records; (5) failure to disclose most violations until directed; (6) issuing false statements and inaccurate or incomplete disclosures; and (7) the national security implications involved.

Charges
Two hundred eighty-eight violations, as follows:

(1) Ten charges of violating the terms, conditions, or provisos of eight DSP-73 licenses involving firearms (ITAR § 127.1(a)(4)).

(2) One charge of making proposals to provide defense services to proscribed country (Sudan), and failing to notify the State Department of the proposals (ITAR § 126.1(e)).

(3) Three charges of providing false statements, misrepresentations, or omissions of material facts regarding its activities (ITAR § 127.2(a)).

(4) One hundred three charges of violating provisos of technical assistance agreements involving military/security training (ITAR § 127.1(a)(4)).

(5) Seventy-seven charges of exporting technical data and defense services involving military/security training to various foreign end users without authorization (conducted internationally) (ITAR § 127.1(a)(1)).

(6) Seventy-seven charges of exporting technical data and defense services involving military/security training to various foreign end users without authorization (conducted domestically) (ITAR § 127.1(a)(1)).

(7) Seventeen charges of exporting defense articles without authorization, including significant military equipment, to Afghanistan, the Bahamas, Burkina Faso, and Iraq (ITAR § 127.1(a)(1)).

(8) One charge of failing to obtain a Non-Transfer and Use Certificate (Form DSP-83) for the exportation and re-exportation of significant military equipment (ITAR §§ 123.10(a) and 127.1).

(9) Nine charges of providing unauthorized defense services and access to technical data to foreign person employees and consultants (ITAR § 127.1(a)(1)).

(10) One charge of violating the administrative requirements associated with DDTC-approved agreements (ITAR §§ 124.4(a) and 123.22(b)(3)).

(11) One charge of failing to properly maintain required license records (ITAR § 122.5).

Penalty

$42 million, allocated as follows: (1) $30 million payable in annual installments over a four-year period (five $6 million payments); and (2) $12 million suspended in the following manner: (a) $6 million credited for pre-consent agreement remedial compliance measures, if determined to be eligible; and (b) $6 million applied to directed remediation over four years.

Directed Remediation

(1) Nominate an external, unaffiliated SCO, to be appointed within fifteen days of DDTC concurrence, who will oversee and support ITAR compliance, for the first three years of the consent agreement. The SCO shall nominate an internal successor to serve as an ISCO beginning on the third anniversary of the settlement. The SCO or ISCO shall be responsible for: (a) monitoring ITAR compliance policies and procedures; (b) overseeing the compliance program; and (c) reporting on compliance to DDTC at specified times.

(2) Conduct an internal review within one hundred twenty days to establish the necessary actions to ensure that sufficient resources are dedicated to compliance, including the use of additional resources for compliance cross-trained employees on a part time basis when needed. Ensure that adequate resources are dedicated to ITAR compliance and establish policies and procedures to address lines of authority, staffing, performance evaluations, career paths, promotions, and compensation for employees with ITAR compliance responsibility. Provide semi-annual ITAR compliance program enhancements and resource levels status reports to DDTC.

(3) Strengthen policies, procedures, and training within twelve months of settlement.

(4) Implement or make improvements to a comprehensive automated defense trade compliance system that will track the decision process from authorization request initiation to conclusion, cover the initial identification of all technical data to be disclosed to foreign persons, track whether exports were properly filed with the Automated Export System and endorse with the Customs and Border Patrol, and be available to DDTC upon request. Develop within Xe Services LLC's email system the capability to alert users to ITAR requirements on electronic transmission of technical data and display a login banner describing ITAR requirements and providing relevant contact information. Report to DDTC on the status of the system semi-annually, and train relevant employees on proper handling of electronic transfers of ITAR-controlled technical data.

(5) Conduct two external audits, subject to prior DDTC approval of the auditor and audit plan, and oversight by the SCO or ISCO, and submit to DDTC a final report of findings and recommendations, the first within one year of settlement, and the second within forty-six months of settlement. Agree Xe Services LLC will not assert attorney-client privilege over the audit results and report.

(6) Publicize internally the availability of the company's ethics hotline for reporting concerns, and include with required reports to DDTC an assessment of the hotline's effectiveness.

(7) Agree to arrange and facilitate a DDTC on-site review with minimum notice for the duration of the consent agreement.

(8) Ensure continued legal department oversight for ITAR compliance.

(9) For the duration of the consent agreement, incorporate the foregoing measures into any business acquisitions, notify DDTC as soon as practical before, but no later than fourteen days prior to, the sale of Xe Services LLC and/or any of its business units or subsidiaries, and require the purchaser in such case to agree to be bound by the terms of the settlement, including the foregoing measures.

AAR International, Inc.

Settled
July 15, 2010

Summary
AAR settled charges concerning the unauthorized exportation to several destinations of military helicopters and associated equipment, including gun mounts, as well as military communications and countermeasures equipment.

AAR assumed successor liability for the violations, which were committed by several business units that AAR acquired from Xe Services, LLC (formerly Blackwater USA), prior to the acquisition. DDTC noted that AAR did not have actual knowledge of the violations, and that AAR met with DDTC prior to purchasing the businesses in question to assist in resolving the matter.

DDTC gave mitigating consideration to the fact that: (1) the violations occurred prior to acquisition; (2) the majority of the violations took place in the context of activities undertaken in support of overseas protective service contracts on behalf of the U.S. government; (3) the predecessor companies had already begun to implement remedial compliance measures; and (4) AAR agreed to implement additional remedial measures.

Conversely, DDTC deemed as aggravating an "historic lack of sufficient ITAR oversight" on the part of the predecessor companies. This case is notable in that DDTC did not impose a monetary penalty on AAR.

Charges
Thirteen violations, as follows:

(1) Twelve charges of exporting defense articles without authorization, including significant military equipment, to Afghanistan, the Bahamas, Burkina Faso, and Iraq (ITAR § 127.1(a)(1)).

(2) One charge of failing to obtain a Non-Transfer and Use Certificate (Form DSP-83) for the exportation and reexportation of significant military equipment (ITAR § 123.10(a)).

Penalty
No monetary penalties.

Directed Remediation (applicable to acquired business operations)

(1) Nominate an ISCO within thirty days of settlement, to be appointed within fifteen days of DDTC concurrence, who will oversee and support ITAR compliance, for the eighteen-month term of the consent agreement. The internal ISCO will be responsible for: (a) monitoring ITAR compliance policies and procedures (spelled out in heretofore unusually granular detail in the consent agreement); (b) overseeing the compliance program; and (c) reporting on compliance to DDTC and AAR management and legal officials at specified times.

(2) Conduct an internal review within one hundred twenty days to establish the necessary actions to ensure that sufficient resources are dedicated to compliance, including the use of additional resources from compliance cross-trained employees on a part-time basis when needed. Ensure that adequate resources are dedicated to ITAR compliance and establish policies and procedures to address lines of authority, staffing, performance evaluations, career paths, promotions, and compensation for employees with ITAR compliance responsibility.

(3) Strengthen policies, procedures, and training within twelve months of settlement.

(4) Implement or make improvements to a comprehensive automated defense trade compliance system on a timeline to be established between AAR and DDTC, report to DDTC on the status of the system semi-annually, and train relevant employees on proper handling of electronic transfers of ITAR-controlled technical data.

(5) Conduct an external audit, subject to prior DDTC approval of the auditor and audit plan, and oversight by the ISCO, and submit to DDTC a final report of findings and recommendations within sixteen months of settlement.

(6) Publicize internally the availability of the company's ethics hotline for reporting concerns, and include with required reports to DDTC an assessment of the hotline's effectiveness.

(7) Agree to arrange and facilitate a DDTC on-site review with minimum notice for the duration of the consent agreement.

(8) Ensure continued legal department oversight for ITAR compliance.

(9) For the duration of the consent agreement, incorporate the foregoing measures into any business acquisitions, notify DDTC sixty days prior to any contemplated sale of any division, subsidiary, or other affiliate, and require the purchaser in such case to agree to be bound by the terms of the settlement, including the foregoing measures.

Interturbine Aviation Logistics GmbH/Interturbine Aviation Logistics GmbH, LLC

Settled
January 4, 2010

Summary
Interturbine Aviation Logistics GmbH, a German company, and its Texas-based branch office, settled charges concerning the unauthorized export of DC 93-104 to Germany.

DC 93-104 is an ITAR-controlled ablative material and sealant manufactured by Dow Corning. It is a heat resistant protective coating that can be used, inter alia, on missiles to protect high heat areas. Because of its military capabilities, DC 93-104 is controlled by the ITAR as significant military equipment that requires enhanced end use assurances.

DDTC noted that Interturbine only disclosed the violations—which involved a business development employee of the German parent purposefully misrepresenting the export control status of DC 93-104—following a criminal investigation by federal prosecutors and ICE. The investigation concluded with a decision not to prosecute the company for criminal violations, but DDTC elected to impose civil penalties because of the "national security interests involved," as well as Interturbine's failure to make a voluntary disclosure prior to initiation of the criminal investigation. Nevertheless, DDTC gave significant mitigating consideration to the fact that Interturbine had cooperated and implemented remedial compliance measures.

Charges
Seven violations, as follows:

(1) One charge against Interturbine Texas of exporting defense articles constituting significant military equipment without authorization (ITAR § 127.1(a)(1)).

(2) One charge against Interturbine Texas of using an export control document containing misrepresentations and omissions of fact for the purpose of exporting a defense article (i.e., filing a Shipper's Export Declaration falsely indicating that no license was required) (ITAR § 127.2(a)).

(3) Two charges against Interturbine Germany of willfully causing an unauthorized exportation for conspiring with and willfully causing and permitting Interturbine Texas to: (a) export significant military equipment without authorization; and (b) use an export control document containing misrepresentations (ITAR §§ 127.1(a) and 127.1(d)).

(4) One charge against Interturbine Texas of exporting a defense article without being registered with the State Department (ITAR § 122.1(a)).

(5) One charge against Interturbine Texas of failing to obtain a Non-Transfer and Use Certificate (Form DSP-83) for the exportation of significant military equipment (ITAR § 123.10(a)).

(6) One charge against Interturbine Germany of retransferring significant military equipment without authorization (ITAR § 127.1(a)).

Penalty
$1 million, allocated as follows: (1) $50,000 payable within fifteen days of settlement; (2) $50,000 due within one year of settlement; and (3) $900,000 suspended in the following manner: (a) $400,000 suspended on the condition that Interturbine Texas neither commits any ITAR violations for a two-year period following settlement nor seeks reinstatement of its registration (should Interturbine Texas seek reinstatement of its registration within the two-year period, then the $400,000 would be credited toward directed remediation); and (b) $500,000 credited toward previously implemented compliance program improvements.

Directed Remediation
(1) Devote adequate resources to compliance with U.S. export controls through Interturbine's Office of Export Compliance Management, especially to ensure that no ITAR-controlled activities are undertaken for the two-year duration of the consent agreement. This includes providing legal oversight and support when necessary.

(2) Agree to arrange and facilitate a DDTC on-site review with minimum notice for the duration of the consent agreement.

(3) Conduct an external audit, subject to prior DDTC approval of the auditor and audit plan, and submit a final report of findings and recommendations within twelve months of settlement. A key objective of the audit is to ensure that no ITAR-controlled activities take place for the duration of the consent agreement.

(4) For the duration of the consent agreement, incorporate the foregoing measures into any business acquisitions, notify DDTC sixty days prior to any contemplated sale of any division, subsidiary, or other affiliate, and require the purchaser in such case to agree to be bound by the terms of the settlement, including the foregoing measures.

2009

Air Shunt Instruments, Inc.

Settled
July 8, 2009

Summary
Air Shunt Instruments settled charges concerning the unauthorized exportation of military aircraft parts to the United Arab Emirates and to Thailand.

DDTC noted that Air Shunt Instruments did not voluntarily disclose the violations, which became known to DDTC only following notice that the company was being prosecuted in federal court for a criminal violation of the AECA in connection with the matter. Although the State Department elected to impose civil penalties because of the "national security and foreign policy interests involved", DDTC gave mitigating consideration to the fact that Air Shunt Instruments had implemented remedial compliance measures at the time of the settlement.

Charges
Four violations, as follows:

(1) Three charges of exporting defense articles without authorization; two charges pertain to the exportation of military aircraft parts to the United Arab Emirates, and one charge pertains to the exportation of a military aircraft gyroscope to Thailand (ITAR § 127.1(a)(1)).

(2) One charge of misrepresenting and omitting material facts by filing a Shipper's Export Declaration falsely indicating that no license was required (ITAR § 127.2(a)).

Penalty
$100,000, of which $70,000 is suspended on the condition that it is eligible to be credited toward preexisting compliance measures, and $30,000 of which is suspended on the condition that it is to be applied over a two-year period to directed remediation.

Directed Remediation

(1) Strengthen policies, procedures, and training within twelve months of settlement.

(2) Ensure that adequate resources are devoted to ITAR compliance.

(3) Agree to arrange and facilitate a DDTC on-site review with minimum notice for the duration of the consent agreement, which is no sooner than thirty months after settlement and following a determination by DDTC that the terms of the agreement have been fulfilled.

(4) Conduct an external audit, subject to prior DDTC approval of the auditor and audit plan, and submit a final report of findings and recommendations within twelve months of settlement. Complete a follow-up audit to confirm implementation of any recommended improvements within twenty-four months of settlement.

(5) Incorporate the foregoing measures into any ITAR-affected business acquisitions, notify DDTC sixty days prior to any contemplated sale of its business or any division, and require the purchaser in such case to agree to be bound by the terms of the settlement, including the foregoing measures.

Analytical Methods, Inc.

Settled
February 18, 2009

Summary
Analytical Methods settled charges concerning the unauthorized exportation of ITAR-controlled technical data and defense services pertaining to computational dynamic fluid simulation software, which is used for design testing in a virtual environment that simulates flying through air or traveling through water.

DDTC noted that Analytical Methods voluntarily disclosed the violations and cooperated in the investigation, which the State Department considered a significant mitigating factor in determining sanctions. But as noted in the proposed charging letter, DDTC elected nonetheless to impose penalties because of the "significant national security interests involved as well as the systemic and repetitive nature of the violations...."

Charges
Twenty-nine violations, as follows:

(1) Six charges of exporting technical data without authorization; five charges pertain to China and one to Turkey (ITAR § 127.1(a)(1)).

(2) Six charges of causing the unauthorized exportation of technical data to China by providing the data to a U.S. person with knowledge that it would be transferred (ITAR § 127.1(a)(3)).

(3) One charge of failing to report an exportation to a proscribed country (ITAR § 126.1(e)).

(4) Thirteen charges of providing unauthorized defense services to Turkey, Singapore, the United Kingdom, and Israel (ITAR § 127.1(a)(1)).

(5) Two charges of engaging in the unregistered manufacture and exportation of defense articles and defense services (ITAR § 127.1(a)(5)).

(6) One charge of misrepresenting and omitting material facts by filing export control documents with false statements about the classification of software (ITAR § 127.2(a)).

Penalty
$500,000, of which $100,000 is payable within fifteen days of settlement, $200,000 is eligible to be credited toward preexisting compliance measures, and $200,000 is applied over a three-year period to directed remediation.

Directed Remediation
(1) Appoint an ISCO within thirty days of settlement, with DDTC concurrence, who will oversee and support ITAR compliance.

(2) Implement a formal ITAR compliance program that includes annual training and a compliance manual.

(3) Ensure that the SCO has appropriate legal support and oversight.

(4) Agree to arrange and facilitate a DDTC on-site review with minimum notice for the duration of the consent agreement, which is no sooner than three years after settlement and following a determination by DDTC that the terms of the agreement have been fulfilled.

(5) Conduct an external audit, subject to prior DDTC approval of the auditor and audit plan, and submit a final report of findings and recommendations within eighteen months of settlement. Complete a follow-up audit to confirm implementation of any recommended improvements before the two-and-a-half year anniversary of settlement.

(6) Certify to DDTC three months before the three-year anniversary of settlement that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate, with the understanding that the terms of the consent agreement remain in force until DDTC lifts them following certification.

Qioptiq

Settled
December 19, 2008

Summary
In a case related to the landmark ITT enforcement matter described below, Qioptiq settled numerous charges concerning the unauthorized exportation and retransfer by predecessor companies of ITAR-controlled technical data and defense articles pertaining to military optical components incorporated into night vision equipment.

DDTC noted that Qioptiq voluntarily disclosed a number of the violations and cooperated in the investigation, which the State Department considered a significant mitigating factor in determining sanctions. DDTC also gave mitigating consideration to the fact that the violations took place before Qioptiq acquired the companies that actually engaged in the transgressions. But as noted in the proposed charging letter, DDTC elected nonetheless to impose penalties: (1) because "[m]any of the violations identified in [the] proposed charging letter...were not voluntarily disclosed but were uncovered based on directed questioning by the Government"; and (2) due to "the significant national security interests involved as well as the systemic and longstanding nature of the violations...."

Concerning the systemic and longstanding nature of the violations, DDTC reproduced in its proposed charging letter excerpts from internal records of Thales, the previous owner of the companies that actually engaged in the transgressions, to establish that business units involved in ITAR-regulated activities had "limited or no ITAR training and a longstanding lack of support for ITAR compliance."

Charges
One hundred sixty-three violations, as follows:

(1) Ten charges of exporting night vision-related technical data without authorization by exceeding the scope of a technical assistance agreement and exporting the data to Singapore, as well as by exporting prior to the execution of the agreement (ITAR §§ 127.1(a)(1), 127.1(a)(4), and 127.1(d)).

(2) One charge of transferring classified ITAR technical data without authorization (ITAR § 125.3(b)).

(3) One charge of misrepresenting and omitting material facts by filing export control documents containing false statements that unauthorized exports of technical data were authorized under a technical assistance agreement (ITAR § 127.2(a)).

(4) Eighty-one charges of retransferring technical data without authorization to employees and subcontractors in China, a proscribed country (ITAR §§ 127.1(a)(1) and 126.1(a)(1)).

(5) Fourteen charges of exporting defense articles without authorization to Israel, France, and Singapore (ITAR § 127.1(a)(1)).

(6) Thirteen charges of retransferring technical data (exported to Singapore with and without authorization) to third country foreign national employees and subcontractors prohibited by proviso in Singapore without authorization (ITAR §§ 127.1(a)(1) and 127.1(a)(4)).

(7) Thirty charges of retransferring without authorization night vision components manufactured using U.S.-origin ITAR-controlled technical data to NATO countries, Israel, Egypt, and Pakistan (ITAR § 127.1(a)(1)).

(8) One charge of transferring without authorization U.S.-origin ITAR-controlled technical data, and defense articles manufactured using such technical data, to Iran, a proscribed country (ITAR §§ 127.1(a)(1) and 126.1(a)(1)).

(9) Two charges of transferring without authorization a defense article manufactured using U.S.-origin ITAR-controlled technical data to Cyprus, a proscribed country (ITAR §§ 127.1(a)(1) and 126.1(a)(1)).

(10) Ten charges of retransferring technical data without authorization to subcontractors in Belgium, Germany, Hungary, the Netherlands, Russia, Singapore, Switzerland, and the United Kingdom (ITAR §§ 127.1(a)(1) and 127.1(a)(4)).

Penalty

$25 million, of which $15 million is payable within thirty days of settlement, $5 million is eligible to be credited toward preexisting compliance measures, and $5 million is applied over a three-year period toward directed remediation.

Directed Remediation

(1) Appoint within forty-five days of settlement an ISCO, subject to DDTC's prior and continuing approval, with a requirement that the SCO report on compliance to senior corporate and legal management, and to DDTC, at specified times for the appointment term.

(2) Conduct an internal review within one hundred twenty days to establish the necessary actions to ensure that sufficient resources are dedicated to compliance, including the use of additional resources from compliance cross-trained employees on a part-time basis when needed. Ensure that adequate resources are dedicated to ITAR compliance and establish policies and procedures to address lines of authority, staffing, performance evaluations, career paths, promotions, and compensation for employees with ITAR compliance responsibility.

(3) Establish legal department oversight of trade compliance within thirty days of settlement.

(4) Agree to arrange and facilitate DDTC on-site reviews with minimum notice for the term of the consent agreement.

(5) Strengthen policies, procedures, and training within twelve months of settlement.

(6) Conduct an external audit, subject to prior DDTC approval of the auditor and audit plan, and submit a final report of findings and recommendations within eighteen months of settlement. Complete a follow-up audit to confirm implementation of any recommended improvements before the two-and-a-half year anniversary of settlement.

(7) Certify to DDTC three months before the three-year anniversary of settlement that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate, with the understanding that the terms of the consent agreement remain in force until DDTC lifts them following certification.

Lockheed Martin Corporation

Settled
August 1, 2008.

Summary
Lockheed settled charges concerning the unauthorized exportation of classified and unclassified technical data pertaining to missile systems, as well as charges concerning the failure to provided required notice to DDTC for proposals to sell significant military equipment. DDTC noted that Lockheed voluntarily disclosed the violations and implemented remedial measures, which the State Department considered a significant mitigating factor in determining sanctions.

Charges
Eight violations, as follows:

(1) Three charges of failing to provide prior notice for proposals to sell significant military equipment; namely, Hellfire missiles to the United Arab Emirates (ITAR § 126.8(a)(2)).

(2) One charge of exporting technical data in the form of performance specifications for the Hellfire missile without authorization to the United Arab Emirates (ITAR § 127.1(a)(1)).

(3) One charge of exporting classified technical data in the form of performance specifications for the Hellfire missile without authorization to the United Arab Emirates (ITAR § 125.3(a)).

(4) Two charges of failing to follow proper Defense Department procedures for exporting to foreign persons classified technical data concerning, inter alia, the Joint Air-to-Surface Standoff missile (ITAR § 125.3(b)).

(5) One charge of failing to obtain a Non-Transfer and Use Certificate (Form DSP-83) for the exportation of classified technical data (ITAR § 123.10(a)).

Penalty
$4 million, of which $1 million is applied over two years to directed remediation.

Directed Remediation

(1) Establish full corporate legal department oversight of trade compliance within thirty days of settlement and continue local legal department oversight at the operating level.

(2) Appoint an ISCO, subject to DDTC's prior and continuing approval, within sixty days of settlement for two years, with a requirement that the SCO report on compliance to senior corporate and legal management, and to DDTC, at specified times for the appointment term.

(3) Conduct an internal review of ITAR compliance resources throughout four specified business units within its Electronic Systems business segment within one hundred twenty days of settlement.

(4) Provide status reports to DDTC on compliance program improvements within six month of settlement and semi annually thereafter.

(5) Modify procedures as necessary within thirty days of settlement to ensure compliance with ITAR notification and authorization requirements regarding proposals and presentations concerning the sale of significant military equipment to foreign persons.

(6) Agree to arrange and facilitate a DDTC on-site review with minimum notice for two years.

(7) Ensure that adequate resources are dedicated to ITAR compliance and establish policies and procedures to address lines of authority, staffing, performance evaluations, career paths, promotions, and compensation for employees with ITAR compliance responsibility.

(8) Provide external training within one hundred twenty days of settlement, with a focus on the areas of concern identified in the draft charging letter. Commission an independent evaluation of the effectiveness of the training within prescribed timelines. Maintain detailed training records.

(9) Conduct an external audit, subject to prior DDTC approval of the auditor and audit plan, and submit a final report of findings and recommendations within two years of settlement.

(10) Certify to DDTC at the conclusion of the two-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

(11) Incorporate the foregoing measures into any ITAR-affected business acquisitions, notify DDTC thirty days prior to any contemplated sale of the Missiles and Fire Control business unit, and require the purchaser in such case to agree to be bound by the terms of the settlement, including the foregoing measures.

The Boeing Company

Settled
June 17, 2008

Summary
Boeing settled charges that it engaged in what DDTC characterized in its charging letter as a "serious, systemic, and longstanding" pattern of administrative violations over the course of a thirty-year period in connection with the valuation of manufacturing license agreements. DDTC noted that Boeing voluntarily disclosed the violations and implemented remedial measures, which the State Department considered a significant mitigating factor in determining sanctions.

Charges
Forty violations, as follows:

(1) Twenty charges of violating license conditions by exceeding the values of DDTC-approved manufacturing license agreements (ITAR § 127.1(a)(4)).

(2) Ten charges of failing to submit required amendments DDTC-approved manufacturing license agreements (ITAR § 124.1(c)).

(3) Five charges of omitting material facts from submissions for the approval of manufacturing license agreements by understating the value of the agreements (ITAR § 127.2(a)).

(4) Five charges of failing to abide by the administrative terms and conditions associated with the approval of manufacturing license agreements (ITAR §§ 127.1(a)(4), 127.2, and 124.1(c)).

Penalty
$3 million, none of which is allocated to directed remediation.

Directed Remediation

(1) Strengthen policies, procedures, and training within twelve months of settlement, especially regarding the administration of manufacturing license agreements and technical assistance agreements. Maintain detailed training records.

(2) Continue to implement an automated export compliance system to strengthen internal controls over the administration of manufacturing license agreements and technical assistance agreements.

(3) Conduct an external audit, subject to prior DDTC approval of the auditor and audit plan, and submit a final report of findings and recommendations within eighteen months of settlement. Complete a follow-up audit to confirm implementation of any recommended improvements before the two-and-a-half year anniversary of settlement.

(4) Certify to DDTC at the conclusion of the three-year term of the consent agreement that remedial measures have been implemented pursuant to the agreement and that the compliance program is adequate.

(5) Incorporate the foregoing measures into any business acquisitions that are involved in the administration of manufacturing license agreements or technical assistance agreements within six months of acquisition.

Northrop Grumman Corporation

Settled
March 25, 2008

Summary
Northrop settled charges that, between 1994 and 2003, Northrop and its predecessor in interest, Litton Industries, Inc. (acquired in 2001), exported militarized versions of aircraft inertial navigation systems, as well as related software source code and defense services, to unauthorized end users, including in proscribed destinations. DDTC noted that Northrop voluntarily disclosed the violations and cooperated with DDTC's subsequent investigation, which the State Department considered a significant mitigating factor in determining sanctions.

Charges
One hundred ten violations, as follows:

(1) One charge of exporting technical data in the form of software related to significant military equipment used for Air Force One without authorization to an end user in Russia (ITAR § 127.1(a)(1)).

(2) Twenty-seven charges of exporting defense articles constituting significant military equipment, including technical data in the form of embedded software, without authorization to ITAR-proscribed countries; namely, Angola, Indonesia, China, and Ukraine (ITAR § 126.1(e)).

(3) Twenty-seven charges of failing to report an exportation to a proscribed country (ITAR § 126.1(e)).

(4) Forty-six charges of exporting defense articles constituting significant military equipment, including technical data in the form of embedded software, without authorization to end users in Austria, Brazil, Brunei, Greece, Israel, Malaysia, Singapore, South Korea, Thailand, the United Kingdom, and Yemen (ITAR § 127.1(a)(1)).

(5) One charge of exporting defense services to end users in Brazil, Indonesia, Israel, Malaysia, Singapore, and the United Kingdom (ITAR § 127.1(a)(1)).

(6) One charge of exporting technical data constituting significant military equipment in the form of software without authorization to Canada (ITAR § 127.1(a)(1)).

(7) One charge of reexporting defense articles constituting significant military equipment, including technical data in the form of embedded software, without authorization to end users in Romania, South Korea, Indonesia, and the United Kingdom (ITAR § 127.1(a)(1)).

(8) Five charges of exporting technical data constituting significant military equipment in the form of software without authorization to the United Kingdom (ITAR § 127.1(a)(1)).

(9) One charge of failing to obtain a Non-Transfer and Use Certificate (Form DSP-83) for the exportation and reexportation of significant military equipment; namely, defense articles and technical data in the form of software (ITAR § 123.10(a)).

Penalty
$15 million, allocated as follows: (1) $10 million payable in annual installments over a three-year period (three $3 million payments and one $1 million payment); (2) $5 million suspended on the condition that $4 million be allocated toward directed remediation over three years, with $1 million credited for compliance measures implemented since 2004.

Directed Remediation

(1) Appoint an ISCO, subject to DDTC's prior and continuing approval, within sixty days of settlement for three years, with a requirement that the SCO report on compliance to the senior management, the Compliance, Public Issues and Policy Committee of the Board of Directors ("**CPIP**"), the Export/Import Policy Council, and DDTC at specified times for the appointment term.

(2) Conduct an internal review of ITAR compliance resources within one hundred twenty days of settlement.

(3) Establish legal department oversight of trade compliance within thirty days of settlement.

(4) Agree to arrange and facilitate a DDTC on-site review with minimum notice for three years.

(5) Strengthen policies, procedures, and training within twelve months of settlement, including training Empowered Officials on identifying ITAR controlled items and services, and preparing commodity jurisdiction requests, within one hundred eighty days of settlement.

(6) Conduct an external audit, subject to prior DDTC approval of the auditor and audit plan, and submit a final report of findings and recommendations within eighteen months of settlement. Conduct a follow-up audit to confirm implementation of any recommended improvements at the two-and-a-half year anniversary of settlement.

(7) Continue to implement comprehensive automated export compliance systems to strengthen internal controls for ensuring ITAR compliance, and provide to DDTC semi-annual updates outlining the status of the systems commencing six months from settlement. The systems will automate processes involving jurisdiction/classification, license requests, hardware shipments, exportation of technical data and defense services, and denied party screening. Additionally, the systems will track the decision process from the initiation of a request for potential export authorization or clarification of an existing authorization to its conclusion to facilitate oversight and monitoring, as well as cover the identification, review, and approval of technical data and defense services prior to exportation.

(8) Develop a means to alert users to ITAR requirements regarding electronic transmissions of ITAR-controlled technical data, and train all employees with electronic accounts to prevent unintentional or accidental unauthorized transmissions.

(9) Issue a reminder within thirty days of settlement of the availability of the company's ethics hotline for reporting concerns, and submit an annual report to DDTC evaluating the hotline's effectiveness.

(10) Certify to DDTC at the conclusion of the three-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

(11) Incorporate the foregoing measures into any ITAR-affected business acquisitions, notify DDTC three months prior to any contemplated sale of the Electronic Systems Sector, and require the purchaser in such case to agree to be bound by the terms of the settlement, including the foregoing measures.

ITT Corporation

Civil Case

Settled
December 21, 2007

Summary
ITT settled charges that it violated the ITAR in connection with the unauthorized exportation of night vision products and technology.

Charges
Two hundred eight[5] violations, as follows:

(1) One charge of misrepresenting and omitting material facts in connection with a prior voluntary disclosure (ITAR § 127.2(a)).

(2) One hundred sixty-two charges of exporting technical data constituting significant military equipment to Singapore, Hong Kong, and Canada (ITAR § 127.1(a)(1)) .

(3) Two charges of exporting defense articles without authorization to China, an ITAR-proscribed country (ITAR §§ 127.1(a)(1) and 126.1(a)).

(4) Thirty-six charges of causing or conspiring to make the unauthorized exportation of technical data to Singapore, Israel, India, and Hong Kong (ITAR § 127.1(a)(3)).

(5) One charge of causing or conspiring to make the unauthorized exportation of technical data to China, an ITAR proscribed country (ITAR § 127.1(d)).

(6) One charge of failing to report an exportation to a proscribed country (ITAR § 126.1(e)).

(7) One charge of misrepresenting and omitting material facts from a permanent export license application (ITAR § 127.2(a)).

(8) One charge of failing to obtain a Non-Transfer and Use Certificate (Form DSP-83) for the exportation of significant military equipment and classified technical data (ITAR § 123.10(a)).

(9) One charge of exporting classified technical data without authorization to the United Kingdom (ITAR §§ 127.1(a)(1) and 125.3).

(10) One charge of failing to file a Shippers Export Declaration in connection with an unauthorized exportation of technical data (ITAR § 123.22(b)).

Penalty
$28 million, allocated as follows: (1) $20 million, payable in $4 million annual installments commencing within ten days of settlement; and (2) $8 million, $3 million of which is credited from the prior 2004 settlement with DDTC described further below and $5 million of which is applied toward directed remediation over a five-year period.

In addition, ITT Night Vision Division was debarred from ITAR-controlled defense trade for three years, with leave to petition for reinstatement after March 28, 2007. Specific transaction exceptions to the debarment may be granted on a case-by case basis, when based on overriding national security and foreign policy interests.[6]

[5] The draft charging letter contains a discrepancy; i.e., two hundred eight charges are alleged but two hundred seven charges are described in the corresponding charging paragraphs.

[6] UPDATE: DDTC lifted ITT Night Vision Division's debarment, effective February 4, 2010.

Directed Remediation

(1) Appoint an outside SCO, (who may also serve as the independent monitor required in connection with the related criminal matter described below), subject to DDTC approval, for a minimum of four years, to be succeeded by an ISCO for an additional year, with a requirement that the SCO report on compliance to senior management, the board of directors, and DDTC every ninety days for the first six months, and semi-annually thereafter for the remainder of the term.

(2) Continue to promote and publicize the availability of the company's Ombudsman Program for reporting suspected violations without fear of retaliation, and report on the program's effectiveness semiannually.

(3) Strengthen compliance policies, procedures, and training within twelve months of settlement.

(4) Continue to implement a comprehensive automated export compliance system to strengthen internal controls for ensuring ITAR compliance. The system will cover the initial identification of all technical data and technical assistance and will be accessible to DDTC on request.

(5) Continue the internal export process review of ITT Night Vision as required under the previous 2004 settlement with DDTC, under the supervision of a process analysis expert independent from the existing export compliance function at ITT Night Vision. Provide DDTC with the status of the verification plan for the review within sixty days of settlement and a final report within one hundred twenty days of receipt of DDTC's final comments on the verification plan.

(6) Conduct an external audit using outside legal counsel, subject to prior DDTC approval of the auditor and audit plan, and submit a final report of findings and recommendations to DDTC within twenty-four months of settlement.

(7) Develop a means to alert users to ITAR requirements regarding electronic transmissions of ITAR-controlled technical data, and train all employees with electronic accounts to prevent unintentional or accidental unauthorized transmissions.

(8) Agree to arrange and facilitate a DDTC on-site review with minimum notice for three years, with the understanding that any such review may be coordinated with reviews conducted pursuant to the settlement terms of the related criminal matter described below.

(9) Certify to DDTC at the conclusion of the five-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

(10) Incorporate the foregoing measures into any ITAR-affected business acquisitions within six months of acquisition, notify DDTC thirty days prior to any contemplated sale of the Night Vision or Aerospace/Communications business divisions, and require the purchaser in such case to agree to be bound by the terms of the settlement, including the foregoing measures.

Criminal Case

Settled
March 27, 2007

Summary
On March 27, 2007, ITT and the U.S. Justice Department entered into a Deferred Prosecution Agreement ("**Agreement**") under which ITT agreed to plead guilty to criminal charges filed by the U.S. Justice Department concerning the unauthorized exportation of night vision products and technology. The U.S. Justice Department and ITT agreed to file a "joint deferral motion" and the U.S. Justice Department agreed to seek dismissal of one of the charges if ITT complies with all of its obligations under the Agreement at the end of the five-year deferral period. If ITT has fully and successfully implemented an agreed Remedial Action Plan under the Agreement in three years, as determined by a U.S. Justice Department review, the U.S. Justice Department will seek an earlier dismissal of the charge in question, and the Agreement will be considered completed, except for the investments in advanced night vision technology, which will continue for the full five-year period.

Charges
Three counts, as follows:

(1) Willful exportation of defense articles without a license (on or between March 2001 and August 2001) (22 U.S.C. §§ 2778(b)(2) and (b)(3); ITAR §§ 127.1(a) and 127.3).

(2) Willful omission of statements of material fact in arms exports reports (on or between April 2000 and October 2004) (22 U.S.C. § 2778(c); 18 U.S.C. § 2).

(3) Willful exportation of defense articles without a license (on or between January 1996 and May 2006) (22 U.S.C. §§ 2778(b)(2) and (b)(3); ITAR §§ 127.1(a) and 127.3). The U.S. Justice Department agreed to defer and seek dismissal of this charge.

Penalty

$100,000,800, allocated as follows: (1) $2,000,800 for fines and special assessments; (2) $28,000,000 for forfeited proceeds and reimbursement of U.S. government investigative costs; (3) $50,000,000 for research and development of advanced night vision technology for the benefit of the U.S. government over a five-year period (in lieu of a suspended criminal penalty); and (4) $20,000,000 civil penalty to DDTC (in connection with a consent agreement the terms of which are summarized above). In addition, DDTC debarred ITT Night Vision Division, permitting petition for reinstatement after March 28, 2007. The U.S. Justice Department did not allocate any penalty funds toward directed remediation.

Directed Remediation

(1) Retain an independent monitor selected by the United States to monitor ITT's compliance with the Remedial Action Plan for five years after the date of the order granting the joint deferral motion.

(2) Undertake a Remedial Action Plan, which includes:

a. annual compliance certifications by business unit leaders and the CEO, to be provided no later than June for each year the Agreement is in effect;

b. establishing an Executive Manager of Compliance;

c. annual training programs, the first of which is to take place within nine months of the order granting the joint deferral motion;

d. maintaining a record of all training for ten years after the order granting the joint deferral motion;

e. mandatory reporting of all ITAR/EAR violations within one week of discovery;

f. completing a classified materials disclosure and security audit within one year of the order granting the joint deferral motion; and

g. performing a compliance audit within two years of the order granting the joint deferral motion, and correcting identified deficiencies within thirty months of the order.

Lockheed Martin Sippican

Settled
December 12, 2006

Summary
Lockheed settled charges that its subsidiary (then Sippican, Inc.) violated the conditions of technology transfer approvals related to a joint U.S.-Australia naval missile decoy program. Although the alleged violations predate Lockheed's acquisition of Sippican, Lockheed was charged under the theory of successor liability.

Charges
Six violations, as follows:

(1) One charge of disclosing technical data exceeding the scope of the applicable technical assistance agreement and in violation of one of the agreement's provisos (ITAR § 127.1(a)(4)).

(2) One charge of disclosing technical data following the lapse of the applicable technical assistance agreement (ITAR § 127.1(a)).

(3) One charge of disclosing technical data to unauthorized recipients (ITAR § 127.1).

(4) One charge of failing to establish a Defense Security Service approved Technology Control Plan and provide a copy of the same to DDTC, as required by the applicable technical assistance agreement (ITAR § 127.1(a)(4)).

(5) One charge of transferring unauthorized classified technical data (ITAR § 125.3).

(6) One charge of using an export control document containing a false statement or misrepresenting or omitting a material fact for failing to notify DDTC in a subsequent application for a technical assistance agreement that unauthorized technical data transfers took place outside the scope of the previous related agreement data (ITAR § 127.2(a)).

Penalty
$3 million, none of which is allocated to directed remediation.

Directed Remediation

(1) Establish legal department oversight of trade compliance within thirty days of settlement.

(2) Appoint an ISCO, subject to DDTC approval, within sixty days of settlement for two years, with a requirement that the SCO report on compliance to the senior management and to DDTC semi-annually for the appointment term.

(3) Strengthen compliance training within one hundred twenty days of settlement, especially concerning classified information procedures and compliance with agreement provisos.

(4) Submit to DDTC for review and concurrence within one hundred fifty days of settlement a white paper proposing the establishment of a comprehensive export compliance system, accessible to DDTC, to strengthen internal controls for tracking the decision process from the initiation of a request for potential export authorization or clarification of an existing authorization to its conclusion. Implement the same within one hundred eighty days of DDTC's concurrence with the proposal.

(5) Conduct an internal audit, subject to DDTC approval of a draft verification plan to be submitted within twelve months of settlement, and submit a final report of findings and recommendations to DDTC within two hundred ten days of DDTC's concurrence with verification plan.

(6) Agree to arrange and facilitate a DDTC audit with minimal notice for two years.

(7) Certify to DDTC at the conclusion of the two-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

Security Assistance International, Inc. and Henry L. Lavery III

Settled
December 12, 2006

Summary
Defense trade consulting firm settled charges that it committed improprieties concerning the submission of an ITAR license application on behalf of a client not properly registered with DDTC and the failure to comply with ITAR administrative requirements.

Charges
Four violations, as follows:

(1) One charge of omitting material facts from a temporary export license application (ITAR § 127.2(a)).

(2) One charge of aiding and abetting an unregistered U.S. company in obtaining a temporary export license that it was ineligible to receive (ITAR § 127.1(d)).

(3) One charge of failing to maintain records as prescribed by the ITAR (ITAR §§ 127.1(d) and 122.5).

(4) One charge of violating the terms of a temporary import license by failing to provide required export documentation (ITAR § 127.1(a)(4)).

Penalty
$75,000 (suspended) and administrative debarment, with leave to apply for reinstatement after one year.

Directed Remediation
None.

L3 Communications Corporation/L3 Titan Corporation

Settled
October 18, 2006

Summary
L3 settled charges that its subsidiary Titan failed to report commissions paid to third parties in its applications for exports of defense articles to France, Japan, and Sri Lanka, and that Titan made false statements in those applications that there were no reportable commissions. Although the alleged violations predate L3's acquisition of Titan, L3 was charged under the theory of successor liability.

Charges
Six violations, as follows:

(1) Three charges of making false statements on an export or temporary control document (ITAR §§ 127.1(d) and 127.2).

(2) Three charges of failing to report commissions as required by ITAR Part 130 (ITAR §§ 127.1(d), 130.9 and 130.10).

Penalty
$1.5 million, of which $500,000 is applied over three years to directed remediation.

Directed Remediation

(1) Strengthen policies, procedures, and training within six months of settlement, especially in the areas of fees and commissions (ITAR Part 130), brokering, exemptions, role of empowered official, and fines and penalties.

(2) Engage an outside advisor within thirty days of settlement to improve Part 130 compliance.

(3) Submit improved Part 130 compliance policies and procedures to DDTC within nine months of settlement.

(4) Conduct an external audit of Part 130 compliance within twelve months of settlement, and report findings and recommendations to DDTC within eighteen months of settlement.

(5) Agree to arrange and facilitate a DDTC audit with minimal notice for three years.

(6) Issue a reminder within thirty days of settlement that L3's general counsel office provides oversight on trade compliance.

(7) Certify to DDTC on the second anniversary of settlement and at the conclusion of the three-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

The Boeing Company

Settled
March 28, 2006

Summary
Boeing settled charges concerning the unauthorized exportation of the QRS-11 quartz rate sensor, a defense article controlled under Category XII of the U.S. Munitions List.

Charges
Eighty-six violations, as follows:

(1) Seventeen charges of exporting defense articles without authorization after the manufacturer informed the respondent that the QRS-11 was a defense article (all instances involving China, an ITAR-proscribed country) (ITAR §§ 127.1(a)(1), 126.1(a) and 126.1(e)).

(2) Two charges of exporting defense articles without authorization after DDTC informed the respondent that the QRS-11 was a defense article (one instance involving China) (ITAR §§ 127.1(a)(1), 126.1(a) and 126.1(e)).

(3) Forty charges of exporting defense articles without authorization after DDTC's Managing Director informed the respondent that the QRS-11 was a defense article (two instances involving China) (ITAR §§ 127.1(a)(1), 126.1(a) and 126.1(e)).

(4) Eight charges of misrepresenting or omitting material facts on an export or temporary control document (ITAR § 127.2(a)).

(5) Fifteen charges of making false statements on an export or temporary control document (ITAR § 127.2(a)).

(6) Three charges of failing to file a Shipper's Export Declaration (ITAR § 123.22(b)).

(7) One charge of failing to report an exportation to a proscribed country (ITAR § 126.1(e)).

Penalty
$15 million. Noting Boeing's enforcement record (three prior settlements since 1998), DDTC did not allocate any penalty funds to directed remediation, requiring instead that Boeing pay those costs out of pocket.

Directed Remediation

(1) Create a senior management position within one hundred twenty days of settlement responsible for compliance throughout the company, with a position description to DDTC, and a requirement to provide annual compliance reports to DDTC for three years, as well as meet with the SCO on no less than a quarterly basis for three years.

(2) Appoint an outside SCO, subject to DDTC approval, for a minimum of two years, to be succeeded by an ISCO for an additional year, with a requirement that the SCO report on compliance to senior management, the board of directors, and DDTC every ninety days for the first six months, and semi-annually thereafter for the remainder of the term.

(3) Strengthen compliance policies, procedures, and training, especially in the area of commodity classification.

(4) Conduct an external audit no later than eighteen months after settlement, subject to prior DDTC approval of audit plan, and report findings and recommendations to DDTC no later than two years after settlement.

(5) Agree to arrange and facilitate a DDTC audit with minimum notice for three years.

(6) Certify to DDTC at the conclusion of the three-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

Goodrich Corporation/L3 Communications Corporation

Settled
March 28, 2006

Summary
Goodrich and L 3 Communications settled charges that a former Goodrich subsidiary acquired by L3: (1) omitted material facts in a commodity jurisdiction determination (specifically, that the commodity in question contained the QRS-11 quartz rate sensor, a defense article controlled under Category XII of the USML); and (2) exported or caused the exportation of the QRS-11 without authorization. L3 was charged under the theory of successor liability.

Charges
Twenty-six violations, as follows:

(1) One charge of omitting material facts from an export or temporary control document (ITAR § 127.2).

(2) Twenty-five charges of exporting defense articles without authorization (ITAR §§ 127.1(a)(1) and 127.1(a)(3)).

Penalty
$7 million, of which $1.25 million is payable by Goodrich and $2 million by L3, and $3.75 million is applied to directed remediation over three years ($1.75 million for Goodrich and $2 million for L3).

Directed Remediation
Applicable both to Goodrich and L3:

(1) Appoint an ISCO, subject to DDTC approval, within fifteen days of settlement for three years, with a requirement that the SCO report on compliance to the senior management, board of directors, and DDTC every ninety days for the first six months, and semi-annually thereafter for the remainder of the term.

(2) Submit to DDTC a draft plan for a review (to be conducted by an independent consultant in L3's case) of export classification procedures and practices spanning the previous seven years, within ninety days of settlement, and following the review report findings and recommendations to senior management and DDTC within twelve months of settlement.

(3) Submit to DDTC within sixty days of settlement a plan to strengthen compliance policies, procedures, and training within two hundred seventy days, especially in the area of commodity classification.

(4) Issue a reminder within thirty days of settlement that the company's general counsel office provides oversight on trade compliance.

(5) Submit to DDTC within one hundred fifty days of settlement a white paper proposing the establishment of an electronic export compliance system to track the classification and jurisdiction of products down to the component and part level, and implement the initial phase of the system within twelve months of settlement.

(6) Issue a reminder within thirty days of settlement (sixty for L3) of the availability of the company's ethics hotline for reporting concerns, and submit an annual report to DDTC evaluating the hotline's effectiveness.

(7) Conduct an external audit, subject to prior DDTC approval of audit plan, to be commenced no later than two years after settlement, and report findings and recommendations to DDTC by the third anniversary.

(8) Agree to arrange and facilitate a DDTC audit with minimum notice for three years.

(9) Certify to DDTC at the conclusion of the three-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

2005

Orbit/FR Inc.

Settled
August 29, 2005

Summary
Orbit/FR settled civil charges arising from its guilty plea in 2000 to two criminal violations of the AECA related to the unauthorized exportation of a missile and military aircraft radome measurement system, and the provision of defense services related to an antenna measurement system.

Charges
Four violations, as follows:

(1) Two charges of exporting defense articles without authorization to China, an ITAR-proscribed country (ITAR §§ 127.1(a)(1) and 126.1(e)).

(2) Two charges of providing unauthorized defense services to China (ITAR §§ 127.1(a)(1) and 126.1(e)).

Penalty
$500,000, of which $200,000 is applied to directed remediation over three years, and $200,000 is suspended.

Directed Remediation

(1) Appoint an outside SCO, subject to DDTC approval, for a minimum of two years, to be succeeded by an ISCO for an additional year, with a requirement that the SCO report on compliance to the senior management, board of directors, and DDTC every sixty days for the first six months, and every ninety days thereafter for the remainder of the term.

(2) Strengthen policies, procedures, and training within one hundred twenty days of settlement.

(3) Establish senior management and legal department oversight of trade compliance within thirty days of settlement.

(4) Issue a reminder within thirty days of settlement of the availability of the company's ethics hotline for reporting concerns, and submit a quarterly report to senior management and DDTC evaluating the hotline's effectiveness.

(5) Conduct an external audit, subject to prior DDTC approval of audit plan, to be commenced no later than twelve months after settlement, and report findings and recommendations to DDTC by the second anniversary.

(6) Agree to arrange and facilitate a DDTC audit with minimum notice for three years.

(7) Certify to DDTC at the conclusion of the three-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

Additional Undertakings

(1) Respondent's Israeli corporate parent agreed that its direct and indirect foreign subsidiaries would refrain from engaging in even wholly-non-U.S. defense trade with ITAR-proscribed countries (e.g., China) for three years, and agreed to provide DDTC with compliance assurances prior to the resumption of such activities.

(2) Respondent agreed that its direct and indirect foreign subsidiaries would refrain from engaging in even wholly non-U.S. defense trade with ITAR-proscribed countries (e.g., China) for six years, and agreed to provide DDTC with compliance assurances prior to the resumption of such activities.

The DirecTV Group and Hughes Network Systems Inc.

Settled
January 26, 2005

Summary
Hughes Network Systems and its parent, DirecTV Group, settled charges concerning the unauthorized exportation of satellite-related technical data, defense services, and defense articles to foreign person employees and other end users, including in ITAR-proscribed countries.

Charges
Fifty-six violations, as follows:

(1) Nineteen charges of failing to report the exportation of technical data and defense services to China and India, ITAR-proscribed countries at the time (ITAR § 126.1(e)).

(2) Nineteen charges of exporting technical data and defense services without authorization to China and India (ITAR § 127.1(a)(1)).

(3) Three charges of willfully causing, or aiding and abetting, ITAR violations (ITAR § 127.1(d)).

(4) Fifteen charges of exporting technical data, defense services, and defense articles without authorization to non proscribed countries (ITAR § 127.1(a)(1)).

Penalty
$5 million, of which $1 million is applied over three years to directed remediation. In addition, DDTC debarred Hughes Network Systems (Beijing) Co. Ltd., permitting petition for reinstatement after May 14, 2005.

Directed Remediation

(1) Continue to implement directed remedial measures imposed under March 2003 consent agreement between DDTC and Hughes Electronics Corporation (now DirectTV) (see below).

(2) Participate on a "lessons learned" panel during a 2005 defense trade seminar sponsored by the Society for International Affairs

(3) Review existing compliance program and provide report of findings to DDTC within ninety days of settlement.

(4) Conduct an audit within one hundred eighty days of Hughes Network Systems (Beijing) Co. Ltd. and other foreign subsidiaries involved in the activities at issue, and report findings and recommendations within thirty days of completing audit.

(5) Certify to DDTC at the conclusion of the three-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

ITT Industries

Settled
November 1, 2004

Summary
ITT Industries settled charges concerning the unauthorized exportation of night vision products and the unauthorized exportation of space remote sensing technical data and defense services.

Charges
Ninety-five violations, as follows:

(1) Twenty-one charges of violating the terms of temporary export licenses (ITAR §§ 123.5(a) and 127.1(a)(4)).

(2) Seventy-two charges of failing to comply with license provisos when exporting defense articles (ITAR § 127.1(a)(4)).

(3) Two charges of failing to comply with technical assistance agreement provisos when exporting technical data and defense services (ITAR § 127.1(a)(4)).

Penalty
$8 million, of which $5 million is applied to directed remediation over five years.

Directed Remediation

(1) Designate a Director, International Trade and Compliance, who must report on compliance to the senior management, board of directors, and DDTC every ninety days for the first six months, and semi-annually thereafter for the remainder of the term.

(2) Strengthen policies, procedures, and training within two hundred seventy days of settlement.

(3) Submit to DDTC within one hundred eighty days of settlement a white paper proposing the establishment of an automated export compliance system, and implement the system within one hundred eighty days of DDTC's concurrence with proposal.

(4) Establish legal department oversight of trade compliance within thirty days of settlement.

(5) Publicize within sixty days of settlement the availability of the company's Ombudsman Program for reporting concerns, with a semi-annual report to senior management and DDTC evaluating the hotline's effectiveness.

(6) Conduct an independent audit of ITT Night Vision, subject to DDTC approval within one hundred twenty days of settlement of draft verification plan, and submit a final report of findings and recommendations to DDTC within two hundred ten days of DDTC's concurrence with verification plan.

(7) Conduct a comprehensive audit of directed remedial measures within twelve months of DDTC approval of audit plan, which must be submitted to DDTC within twelve months of settlement.

(8) Agree to arrange and facilitate a DDTC audit with minimum notice for five years.

(9) Certify to DDTC at the conclusion of the five-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

General Motors Corporation and General Dynamics Corporation

Settled
November 1, 2004

Summary
General Motors, and General Dynamics as successor owner of portions of General Motors' defense activities, settled charges concerning the unauthorized exportation of technical data about light armored vehicles to foreign person employees, including nationals of proscribed countries.

Charges
Two hundred forty-eight violations, as follows:

(1) Thirteen charges of failing to report the exportation of technical data to foreign person employees who were nationals of ITAR-proscribed countries; specifically, China, Syria, Iran, and Afghanistan (ITAR § 126.1(e)).

(2) Thirteen charges of exporting technical data without authorization to foreign person employees who were nationals of ITAR-proscribed countries (ITAR § 127.1(a)(1)).

(3) Thirteen charges of willfully causing, or aiding and abetting, ITAR violations (ITAR § 127.1(d)).

(4) Fifty-four charges of violating license conditions (ITAR § 127.1(a)(4)).

(5) Fifty-four charges of failing to account for the acts of employees, agents, and authorized persons (ITAR § 127.1(b)).

(6) Fifty charges of exporting technical data without authorization to employees who were foreign nationals or dual nationals (ITAR § 127.1(a)(1)).

(7) Fifty charges of exporting technical data and defense services without authorization to foreign vendors and suppliers (ITAR §§ 127.1(a)(1) and 126.5).

(8) One charge of misrepresenting or omitting material facts on an export or temporary control document (ITAR § 127.2(a)).

Penalty
$20 million, of which $10 million is payable by General Motors, and $10 million is applied to directed remediation ($5 million each to General Motors and General Dynamics) for five years.

Directed Remediation
General Dynamics

(1) Designate a Director, Trade Compliance, who must report on compliance to the senior management, board of directors, and DDTC every sixty days for the first six months, and semi-annually thereafter for the remainder of the term.

(2) Strengthen compliance training within one hundred twenty days of settlement.

(3) Submit to DDTC within ninety days of settlement a white paper proposing the establishment of a Computer Compliance Control System, and implement the system within one hundred eighty days of DDTC's concurrence with proposal.

(4) Establish legal department oversight of trade compliance within one hundred twenty days of settlement.

(5) Issue a reminder within thirty days of settlement of the availability of the company's ethics hotline for reporting concerns, with a semi-annual report to senior management and DDTC evaluating the hotline's effectiveness.

(6) Conduct a comprehensive audit of directed remedial measures within twelve months of DDTC final comments on audit plan, which must be submitted to DDTC within twelve months of settlement, and report findings and recommendations to senior management and DDTC by the second anniversary of settlement.

(7) Agree to arrange and facilitate DDTC audit with minimum notice for five years.

(8) Certify to DDTC at the conclusion of the five-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

General Motors

(1) Appoint an outside SCO, subject to DDTC approval, for three years, to be succeeded by an ISCO for two years, with a requirement that the SCO report on compliance to the senior management and DDTC every sixty days for the first six months, and semi-annually thereafter for the remainder of the term.

(2) Strengthen compliance training within one hundred eighty days of settlement.

(3) Submit to DDTC within sixty days of settlement a white paper proposing the establishment of a comprehensive computerized export tracking system, and implement the system within one hundred twenty days of DDTC's concurrence with proposal.

(4) Establish legal department oversight of trade compliance within one hundred eighty days of settlement.

(5) Establish and publish within thirty days of settlement the availability of a hotline for reporting defense trade concerns, and submit a quarterly report to senior management and DDTC evaluating the hotline's effectiveness.

(6) Conduct a comprehensive audit of directed remedial measures within twelve months of DDTC final comments on audit plan, which must be submitted to DDTC within twelve months of settlement, and report findings and recommendations to senior management and DDTC.

(7) Agree to arrange and facilitate a DDTC audit with minimum notice for five years.

(8) Certify to DDTC at the conclusion of the five-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

2003

EDO Corporation

Settled
November 24, 2003

Summary
EDO Corporation, as successor to Condor Systems, Inc., settled civil charges arising from Condor's 2003 guilty plea to federal criminal charges regarding the unlawful exportation of a signal processing system to Sweden.

Charges
Forty-seven violations, as follows:

(1) Four charges of exporting classified technical data without authorization (ITAR § 127.1(a)(1)).

(2) Eleven charges of exporting unclassified technical data without authorization (ITAR § 127.1(a)(1)).

(3) Four charges of exporting defense services without authorization (ITAR § 127.1(a)(1)).

(4) Twelve charges of violating license conditions (ITAR § 127.1(a)(4)).

(5) Three charges of making false statements on an export or temporary control document (ITAR § 127.2).

(6) Thirteen charges of omitting material facts from an export or temporary control document (ITAR § 127.2).

Penalty
$2.5 million, of which $575,000 is applied to directed remediation over three years, and $175,000 is credited for existing remedial measures.

Directed Remediation

(1) Appoint an outside SCO, subject to DDTC approval, for one year, to be succeeded by an ISCO for two years, with a requirement that the SCO report on compliance to the senior management, board of directors, and DDTC every sixty days for the first six months, and every ninety days thereafter for the remainder of the term.

(2) Strengthen policies, procedures, and training within one hundred twenty days of settlement, especially in the area of acquisition due diligence.

(3) Establish legal department oversight of trade compliance within thirty days of settlement.

(4) Issue a reminder within thirty days of settlement of the availability of the company's ethics hotline for reporting concerns, and submit a quarterly report to senior management and DDTC evaluating the hotline's effectiveness.

(5) Conduct an external audit, subject to prior DDTC approval of audit plan, to be completed within one hundred twenty days of settlement, and report findings and recommendations to DDTC.

(6) Agree to arrange and facilitate a DDTC audit with minimum notice for three years.

(7) Certify to DDTC at the conclusion of the three-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

Multigen-Paradigm Inc.

Settled
September 25, 2003

Summary
Multigen-Paradigm Inc. ("**MPI**") settled charges that it exported ITAR-controlled visual sensor simulation software, associated technical data, and defense services without authorization to numerous countries, including China. Computer Associates International Inc. ("**CA**") acquired MPI in 2000 and voluntarily disclosed the violations, which predated the acquisition. Although not named as a respondent, CA was specifically identified in the draft charging letter as being ultimately responsible for MPI's compliance both before and after the acquisition.

Charges
Twenty-four charges of exporting defense articles, technical data, and defense services without authorization to numerous countries, including China, an ITAR-proscribed country (ITAR §§ 127.1(a)1, 126.1(a) and 126.1(e)).

Penalty
$2 million, of which $250,000 is applied to directed remediation for three years, and $1.5 million is credited for existing remedial measures.

Directed Remediation

(1) Strengthen compliance training within one hundred twenty days of settlement.

(2) Establish legal department oversight of trade compliance within one hundred twenty days of settlement.

(3) Submit to DDTC within one hundred twenty days of settlement a report outlining an electronic tracking system that will enable the U.S. government to monitor the respondent's technical data and proposed technical assistance.

(4) Conduct a comprehensive audit of directed remedial measures within eighteen months of settlement, subject to DDTC's prior review of the audit plan, and report findings and recommendations to DDTC by the second anniversary of settlement.

(5) Agree to arrange and facilitate a DDTC audit with minimum notice for three years.

(6) Certify to DDTC at the conclusion of the three-year term that remedial measures have been implemented pursuant to the consent agreement and that the compliance program is adequate.

Agilent Technologies Inc.

Settled
August 20, 2003

Summary
Agilent settled charges that SAFCO Technologies Inc., which it acquired in 2000, exported ITAR-controlled signal processing equipment to Israel and Singapore without authorization, prior to Agilent's acquisition of SAFCO.

Charges
Three charges of exporting defense articles without authorization (ITAR § 127.1(a)(1)).

Penalty
$225,000.

Directed Remediation
None.

Hughes Electronics Corporation & Boeing Satellite Systems

Settled
March 4, 2003

Summary
Hughes Electronics Corporation ("**Hughes**") and Boeing Satellite Systems ("**BSS**") settled charges concerning the unauthorized exportation of satellite technology to China. The Boeing Company acquired BSS (formerly Hughes Space and Communications) in 2000, and BSS was charged under a theory of successor liability.

Charges
One hundred twenty-three violations as follows:

(1) One hundred thirteen charges of exporting technical data and defense services without authorization to China, an ITAR-proscribed country (ITAR §127.1(a)(1)).

(2) Five charges of proposing the exportation of defense services, or failing to report the exportation of technical data and defense services, to China, an ITAR-proscribed country (ITAR § 126.1(e)).

(3) One charge of conspiring or causing the unauthorized exportation of defense services (ITAR §127.1(a)(3)).

(4) Two charges of willfully causing, aiding, abetting, counseling, demanding, inducing, procuring, or permitting ITAR violations (ITAR § 127.1(d)).

(5) One charge of misrepresenting or omitting material facts on an export or temporary control document (ITAR § 127.2).

(6) One charge of failing to report commissions as required by ITAR Part 130 (ITAR § 130.9).

Penalty
$32 million, of which $8 million is applied to directed remediation over seven years ($6 million to BSS and $2 million to Hughes), and $4 million is credited to existing remedial measures ($2 million to each respondent).

Directed Remediation
Applicable both to Hughes and BSS:

(1) Appoint an outside SCO, subject to DDTC approval, for three years, to be succeeded by ISCO for two years, with a requirement that the SCO report on compliance to the senior management, board of directors, and DDTC every sixty days for the first six months, and semi-annually thereafter for the remainder of the term.

(2) Strengthen compliance training within one hundred twenty days of settlement.

(3) Hughes to institute a comprehensive computerized document control system within one hundred twenty days of settlement that will enable the U.S. government to monitor the respondent's technical data and proposed technical assistance. BSS to provide DDTC with access to existing "**Space Link System**" within sixty days.

(4) Establish legal department oversight of trade compliance within one hundred twenty days of settlement.

(5) Establish a hotline for reporting defense trade concerns within one hundred twenty days of settlement (thirty days for BSS), and submit a quarterly report to in-house counsel and DDTC evaluating the hotline's effectiveness.

(6) Conduct a comprehensive audit of directed remedial measures within eighteen months of settlement, subject to DDTC's prior review of the audit plan, and report findings and recommendations to DDTC by the second anniversary of settlement.

(7) Agree to arrange and facilitate a DDTC audit with minimum notice for seven years.

Raytheon Company

Settled
February 27, 2003

Summary
Raytheon Company settled civil charges with the U.S. Justice Department concerning the unauthorized exportation of defense articles, technical data, and defense services to Canada and to Pakistan, and the unauthorized retransfer of defense articles through Canada to Pakistan, concerning the AN/TRC-170 troposcatter system.

Charges
Twenty-six violations, as follows:

(1) Fifteen charges of exporting defense articles and technical data without authorization (ITAR §127.1(a)(1)).

(2) Six charges of conspiring or causing the unauthorized exportation of defense articles or defense services (ITAR §127.1(a)(3)).

(3) Four charges of omitting material facts or making false statements on an export or temporary control document (ITAR § 127.2).

(4) One charge of willfully inducing, or aiding and abetting, ITAR violations (ITAR § 127.1(d)).

Penalty
$25 million, of which $20 million is payable to U.S. Customs in lieu of forfeiture, $3 million is payable as a civil penalty, and $2 million is applied to directed remediation.

Directed Remediation

(1) Appoint an outside SCO, subject to DDTC approval, for one year, to be succeeded by ISCO for two years (which DDTC in its discretion may waive if satisfied by remedial measures within the first year), with a requirement that the SCO report on compliance to the senior management, board of directors, and DDTC quarterly for the first six months, and semi-annually thereafter for the remainder of the term.

(2) Agree to arrange and facilitate a DDTC audit with minimum notice for the settlement term. 2002

Dr. Wah Lim

Settled
January 10, 2002

Summary
Dr. Lim settled charges arising from his conduct related to the Space Systems/Loral case described immediately below.

Penalty
$100,000, of which $50,000 is suspended. In addition, Dr. Lim was debarred for three years, with debarment suspended after the first year on the condition that he comply with the ITAR.

Directed Remediation
None.

Space Systems/Loral Inc.

Settled
January 9, 2002

Summary
Space Systems/Loral Inc. settled charges that it violated the express terms and conditions of munitions licenses, and committed other violations, related to the unauthorized exportation of satellite technology to China.

Charges
Sixty-four violations, as follows:

(1) Sixty charges of violating the express terms and conditions of munitions licenses by exporting technical data and defense services without authorization (ITAR § 127.1)

(2) One charge of transferring or proposing to transfer defense services to China, an ITAR-proscribed country (ITAR § 126.1(e)).

(3) Three charges of misrepresenting or omitting material facts on an export or temporary control document (ITAR § 127.2).

Penalty
$20 million, of which $6 million is applied to directed remediation over seven years.

Directed Remediation

(1) Appoint an outside SCO, subject to DDTC approval, for two years, to be succeeded by an ISCO for two years, with a requirement that the SCO report on compliance to the senior management, board of directors, and DDTC every sixty days for the first six months, and semi-annually thereafter for the remainder of the term.

(2) Strengthen compliance training within one hundred twenty days of settlement.

(3) Institute a comprehensive computerized document control system within one hundred twenty days of settlement that will enable the U.S. government to monitor the respondent's technical data and proposed technical assistance.

(4) Establish legal department oversight of trade compliance within one hundred twenty days of settlement.

(5) Establish a hotline for reporting defense trade concerns within one hundred twenty days of settlement, and submit a quarterly report to in-house counsel and DDTC evaluating the hotline's effectiveness.

(6) Conduct a comprehensive audit of directed remedial measures within eighteen months of settlement, subject to DDTC's prior review of the audit plan, and report findings and recommendations to DDTC by the second anniversary of settlement.

(7) Agree to arrange and facilitate a DDTC audit with minimum notice for four years.

Motorola Corporation

Settled
May 3, 2001

Summary
Motorola settled charges that it exported satellite technology to Germany and Russia in violation of the express terms and conditions of munitions licenses.

Charges
Twenty-five charges of violating the express terms and conditions of munitions licenses by exporting technical data and defense services without authorization (ITAR § 127.1).

Penalty
$750,000, of which $150,000 is applied within three years to directed remediation.

Directed Remediation

(1) Establish legal department oversight of defense trade compliance.

(2) Institute computerized document control system that will enable the U.S. government to monitor the respondent's technical data and proposed technical assistance.

(3) Attest that corrective measures have been implemented in accordance with representations to DDTC.

(4) Conduct a comprehensive audit of directed remedial measures and report findings and recommendations to DDTC within one hundred eighty days of settlement.

(5) Provide an account of compliance expenditures on the first anniversary of settlement.

(6) Agree to arrange and facilitate a DDTC audit with minimum notice for three years.

The Boeing Company

Settled
March 30, 2001

Summary
The Boeing Company settled charges concerning the unauthorized exportation between 1979 and 1999 of airborne early warning system technology to Australia, Italy, Malaysia, Singapore, Spain, and Turkey.

Charges
One hundred ten violations, as follows:

(1) One hundred seven charges of exporting defense articles, technical data, and defense services without authorization, mostly in violation of the express terms and conditions of munitions licenses (ITAR § 127.1).

(2) Three charges of omitting material facts from an export or temporary control document (ITAR § 127.2).

Penalty
$4.2 million, of which $400,000 is applied toward directed remediation for a three-year period.

Directed Remediation

(1) Appoint an internal Special Officer for three years to ensure defense trade compliance, with a requirement that he report his finding and recommendations to senior management and DDTC every sixty days for the first six months, and semi-annually thereafter for the remainder of the term.

(2) Agree to arrange and facilitate a DDTC audit with minimum notice for three years.

Part 3. ITAR Administrative Enforcement Case Table

Respondent/ Summary	Number of Violations	Total Penalty	Compliance Allocation	Directed Remediation	Debarment, Denial, etc.	USML Categories	Countries (Bold type signifies ITAR-proscribed country at time of violation)	Successor Liability
2021								
Honeywell International, Inc. Unauthorized export and transfer of technical data related to aircraft, military electronics, and gas turbine engine parts	34	$13,000,000	$5,000,000	Yes	No	VIII, XI, XIX	Canada, Ireland, Taiwan, **China**, Mexico	No
2020								
Airbus SE False statements on authorization requests; failure to provide accurate and complete reporting on political contributions, commissions, fees' failure to maintain ITAR-controlled transaction records; unauthorized reexport and retransfer	75	$10,000,000	$5,000,000	Yes	No	IV, VII, XI, XII, XIII, XV	Australia, Austria, Belgium, Brazil, Canada, Colombia, Egypt, France, Ghana, Germany, Indonesia, Japan, Jordan, Kazakhstan, Luxembourg, Malaysia, Mexico, Poland, United Kingdom, Vietnam	No
2019								
AeroVironment, Inc. Exportation of unmanned aircraft systems and tactical missile systems	10	$1,000,000	$500,000	Yes	No	VII, XI, XII	Australia, Canada, France, Thailand, United Kingdom	No
L3Harris Technologies, Inc. Exportation of wireless equipment, tactical radios, electronic systems, night vision equipment, and terrestrial and space-borne antennas	131	$13,000,000	$6,500,000	Yes	No	IV, XI, XII	Australia, Canada, Denmark, Estonia, Germany, Italy, New Zealand, Singapore, Thailand, United Kingdom	No
Darling Industries, Inc. Exportation of specialty fabricated rubber and composite products	6	$400,000	$200,000	Yes	No	IV, VIII	Australia, Canada, Denmark, Germany, Italy, United Kingdom	No

Respondent/ Summary	Number of Violations	Total Penalty	Compliance Allocation	Directed Remediation	Debarment, Denial, etc.	USML Categories	Countries (Bold type signifies ITAR-proscribed country at time of violation)	Successor Liability
2018								
FLIR Systems, Inc. Exportation of defense articles, unauthorized provision of defense services, and failure to provide accurate and complete reporting on political contributions, commissions, and fees	347	$30,000,000	$20,000,000	Yes	No	VII, Xi, XII	Numerous, including **Cuba**, **Iran**, Iraq, Lebanon, and Vietnam	No
2017								
Bright Lights USA, Inc. Exportation of military spare parts	11	$400,000	0	No	No	II, IV, VII, VIII, Xi	**China**, India, Portugal, Spain, Turkey, United Arab Emirates	No
2016								
Turi Defense Group, Inc. and Marc Turi Brokering of armament and ammunition	2	$200,000	0	Yes	No	Not identified	**Libya**	No
Microwave Engineering Corporation Unauthorized transfer of controlled technical data to foreign person from a proscribed destination	1	$100,000	0	No	No	XI	**China**	No
Rocky Mountain Instrument Company Criminal exportation of defense articles	1	Criminal $1,000,000	0	Yes	Yes, but modified	Not identified	**China**, Russia, Turkey, South Korea	No
2014								
Intersil Corporation Exportation of radiation tolerant and hardened integrated circuits	339	$10 million	$4 million	Yes	No	XV	Numerous, including Argentina, Austria, Belgium, Canada, **China**, Denmark, Finland, France, Georgia, Germany, Greece, Hong Kong, India, Israel, Italy, Japan, the Netherlands, Norway, the Republic of Korea, Russia, Singapore, Spain, Sweden, and the U.K.	No

Respondent/ Summary	Number of Violations	Total Penalty	Compliance Allocation	Directed Remediation	Debarment, Denial, etc.	USML Categories	Countries (Bold type signifies ITAR-proscribed country at time of violation)	Successor Liability
Esterline Technologies Corporation Improper classification of products, failure to comply with licenses and agreements, and recordkeeping violations	282	$20 million	$10 million	Yes	No	IV, VI, VII, VIII, XI, XII, XV, XX	Numerous, including Brazil, Burkina Faso, Canada, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, France, Honduras, India, Liechtenstein, Mexico, Spain, South Korea, and the U.K.	No
2013								
Meggitt-USA, Inc. Exportation of defense articles, technical data, and defense services; failure to comply with licenses and recordkeeping requirements	67	$25 million	$22 million	Yes	No	VIII, XII, IX	Canada, **China**, Japan, Egypt, India, and the U.K.	No
Aeroflex, Inc. Exportation of defense articles, including microelectronics and technical data	158	$8 million	$4 million	Yes	No	XV, XI	Numerous, including Argentina, Austria, Belgium, Brazil, Canada, **China**, Finland, France, Germany, India, Israel, Italy, Japan, Kuwait, Luxemburg, the Netherlands, Poland, Russia, Singapore, South Korea, South Africa, Spain, Sweden, Switzerland, Taiwan, Turkey, United Arab Emirates, and the U.K	No
Raytheon Company Manufacture of hardware in excess of permitted quantities and failure to comply with terms and conditions of agreements	125	$8 million	$4 million	Yes	No	Not identified	Not identified	No
2012								
United Technologies Corporation Exportation of helicopter engine software and other defense articles and technical data, and making false statements in voluntary self-disclosures	Civil 576 Criminal 3 counts	Civil $55 million Criminal $20 million	Civil $20 million ($5 million credit and $15 million credit over 4 years) Criminal 0	Yes	Yes, for certain activities of PWC	Not identified	Numerous, including Brazil, Bulgaria, Canada, **China**, Colombia, Germany, Greece, Indonesia, Ireland, Italy, Mexico, Saudi Arabia, Singapore, South Korea, Spain, Switzerland, Turkey	No

Respondent/ Summary	Number of Violations	Total Penalty	Compliance Allocation	Directed Remediation	Debarment, Denial, etc.	USML Categories	Countries (Bold type signifies ITAR-proscribed country at time of violation)	Successor Liability
Alpine Aerospace Corporation Exportation of missile system components	9	$30,000	$30,000 ($3,000 may be used for pre-Consent Agreement credit and the remainder shall be used within 2 years)	Yes	No	IV, VIII, XI	South Korea	No
TS Trade Tech Incorporated Exportation of missile system components	9	$20,000	$20,000 ($2,000 may be used for pre-Consent Agreement credit and the remainder shall be used within 2 years)	Yes	No	IV, VIII, XI	South Korea	No
2011								
BAE Systems plc Brokering and associated activities, unreported commissions, and recordkeeping violations	2,591	$79 million	$10 million compliance allocation ($3 million credit and $7 million over 4 years)	Yes	Yes (statutory debarment lifted but denial policy imposed on 3 affiliates)	IV, VI, VIII, XI and unspecified categories	Australia, Austria, Bahrain, Brazil, Canada, Chile, the Czech Republic, Denmark, Greece, Hungary, India, Indonesia, Japan, the Netherlands, Norway, the Philippines, Poland, Saudi Arabia, Singapore, South Africa, South Korea, Switzerland, Thailand	No
2010								
Xe Services LLC Making proposals to a proscribed country, exportation of technical data and defense articles, providing defense services to unauthorized foreign persons, record- keeping violations, and false statements	288	$42 million	$12 million compliance allocation ($6 million credit and $6 million over 4 years)	Yes	No	I, II, III, IV, V, VI, VII, VIII, IX, X, XI, XII, XIII	Afghanistan, Azerbaijan, the Bahamas, Burkina Faso, Canada, the Cayman Islands, **China**, Columbia, Finland, Germany, India, **Iran**, Iraq, Jamaica, Japan, Jordan, Kuwait, Nepal, the Netherlands, Niger, Pakistan, Paraguay, the Philippines, Saudi Arabia, South Africa, **Sudan**, Sweden, Taiwan, the United Kingdom	No
AAR International, Inc. Exportation of military helicopter, communications, and countermeasure equipment	13	0	0	Yes	No	II, VIII, XI	Afghanistan, the Bahamas, Burkina Faso, Iraq	Yes

Respondent/ Summary	Number of Violations	Total Penalty	Compliance Allocation	Directed Remediation	Debarment, Denial, etc.	USML Categories	Countries (Bold type signifies ITAR-proscribed country at time of violation)	Successor Liability
Interturbine Aviation Logistics GmbH/LLC Exportation/retransfer of ablative materials	7	$1 million	$900,000 ($400,000 of which is suspended on condition that company forgo ITAR activities for 2 years)	Yes	No	IV	Germany	No
2009								
Air Shunt Instruments, Inc. Exportation of military aircraft parts	4	$100,000	$100,000 ($70,000 credit and $30,000 over 2 years)	Yes	No	VIII	Thailand, United Arab Emirates	No
Analytical Methods, Inc. Computational dynamic fluid simulation software, and associated technical data and defense services	29	$500,000	$400,000 ($200,000 credit and $200,000 over 3 years)	Yes	No	VIII, XI, XX	**China**, Israel, Turkey, Singapore, United Kingdom	No
2008								
Qioptiq Exportation of night vision hardware and technology	163	$25 million	$10 million ($5 million credit and $5 million over 3 years)	Yes	No	XII	Numerous, including Belgium, **China, Cyprus**, Egypt, Germany, Hungary, **Iran**, Israel, the Netherlands, Pakistan, Russia, Singapore, Switzerland, United Kingdom	Yes
Lockheed Martin Exportation of classified and unclassified technical data, and failure to follow proposal notification requirements	8	$4 million	$1 million	Yes	No	IV	United Arab Emirates	No
Boeing	40	$3 million	0	Yes	No	Not identified	Numerous	Yes
Northrop Grumman Aircraft inertial navigation systems, and associated technical data and defense services	110	$15 million	$4 million	Yes	No	VIII	Numerous, including **Angola, Indonesia, China, Ukraine**	Yes
2007								

Respondent/ Summary	Number of Violations	Total Penalty	Compliance Allocation	Directed Remediation	Debarment, Denial, etc.	USML Categories	Countries (Bold type signifies ITAR-proscribed country at time of violation)	Successor Liability
ITT Corporation Exportation of night vision hardware and technology and omissions of material fact	Civil 208 (but 207 violations described in charging letter) Criminal 3 counts (one deferred/ eligible for dismissal)	Civil $28 million ($3 million credited to prior settlement) Criminal $100 million (including $20 million of the civil penalty listed above)	Civil $5 million Criminal 0	Yes	Yes, for ITT Night Vision Division Lifted February 4, 2010	XII	Numerous, including **China**, Singapore, United Kingdom	No
2006								
Lockheed Martin Sippican Violated TAA provisos, exports after TAA lapsed, unauthorized recipients, failure to establish Technology Control Plan, transfer of classified data	6	$3 million	0	Yes	No	XI(a)	Australia	Yes
Security Assistance International, Inc. and Henry L. Lavery III Omission of facts in license application, aiding and abetting unauthorized company to obtain export license, recordkeeping, violating license terms	4	$75,000 (suspended)	0	No	Yes	XII	Colombia, Germany, South Africa	No
L-3/Titan Unreported commissions	6	$1.5 million	$500,000 over 3 years	Yes	No (denial policy lifted following settlement)	Not identified	France, Japan, Sri Lanka	Yes
Boeing Aircraft guidance component (QRS-11) exports	86	$15 million	0	Yes	No	XII	**China**	No

Respondent/ Summary	Number of Violations	Total Penalty	Compliance Allocation	Directed Remediation	Debarment, Denial, etc.	USML Categories	Countries (Bold type signifies ITAR-proscribed country at time of violation)	Successor Liability
Goodrich/L-3 Material omission in commodity jurisdiction request related to QRS- 11 and unauthorized exports of same	26	$7 million	$3.75 million over 3 years ($1.75 million for Goodrich and $2 million for L-3)	Yes	No	XII	Numerous	Yes
2005								
Orbit/FR Inc. Radome measurement system exports and related defense services	4	$500,000 ($200,000 suspended)	$200,000 over 3 years	Yes	No (debarment and denial lifted post settlement)	XI	**China**	No
DirecTV/Hughes Network Systems Satellite technology transfers	56	$5 million	$1 million over 3 years	Yes	Yes, for Hughes China	VI, XIII	**China, India**, South Africa, South Korea, Taiwan, Turkey	Yes
2004								
ITT Industries Night vision and space remote sensing exports and technology transfers	95	$8 million	$5 million over 5 years	Yes	No	XII	Numerous	No
General Motors / General Dynamics Light armored vehicle technology transfers	248	$20 million	$10 million over 5 years ($5 million for each company)	Yes	No	VII	**Afghanistan, China, Iran, Syria**	Yes
2003								
EDO Radar technology transfers	47	$2.5 million ($175,000 credit for existing compliance)	$575,000 over 3 years	Yes	No (denial policy lifted following settlement)	XI	Sweden	Yes
Multigen-Paradigm Visual sensor simulation software exports and related technology transfers	24	$2 million ($1.5 million credit for existing compliance)	$250,000 over 3 years	Yes	No	IX	Australia, Canada, **China**, Czech Republic, France, India, Israel, Italy, Japan, Peru, Singapore, South Korea, Spain, Sweden Taiwan, United Kingdom	Yes
Agilent Technologies Signal processing equipment exports	3	$225,000	0	No	No	XI	Israel, Singapore	Yes

Respondent/ Summary	Number of Violations	Total Penalty	Compliance Allocation	Directed Remediation	Debarment, Denial, etc.	USML Categories	Countries (Bold type signifies ITAR-proscribed country at time of violation)	Successor Liability
Hughes Electronics/Boeing Satellite Systems Satellite technology transfers	123	$32 million ($4 million credit for existing compliance)	$ 8 million over 7 years ($6 million for BSS and $2 million for Hughes)	Yes	No	Not identified	**China**	Yes
Raytheon Troposcatter system exports and related technology transfers	26	$25 million ($3 million toward civil fine; $20 million to Customs)	$2 million	Yes	No	Not identified	Canada, Pakistan	No
2002								
Dr. Wah Lim Satellite technology transfers	Not identified	$100,000 ($50,000 suspended)	0	No	Yes	IV	**China**	N/A
Space Systems/Loral Satellite technology transfers	64	$20 million	$6 million over 7 years	Yes	No	IV	**China**	No
2001								
Motorola Satellite technology transfers	25	$750,000	$150,000 over 3 years	Yes	No	Not identified	Germany, Russia	No
Boeing Airborne early warning system technology (business proposals)	110	$4.2 million	$400,000 over 3 years	Yes	No	Not identified	Australia, Italy, Malaysia, Singapore, Spain, Turkey	No