

Compliance & Enforcement Statistics & Trends

Source: DDTC Compliance, ACI National Forum, July 24th, 2008



CATEGORY	2006	2007	
TOTAL Disclosures Opened	567	806	+70%
VDs	490 (86%)	759 (94%)	+65%
Directed Disclosures	77 (14%)	47 (6%)	-39%
Consent Agreements	6	*1	
Monetary Penalties Assessed	\$26,575,000	*\$28,000,000	

*Does not include the ITT Plea Agreement with the US Department of Justice

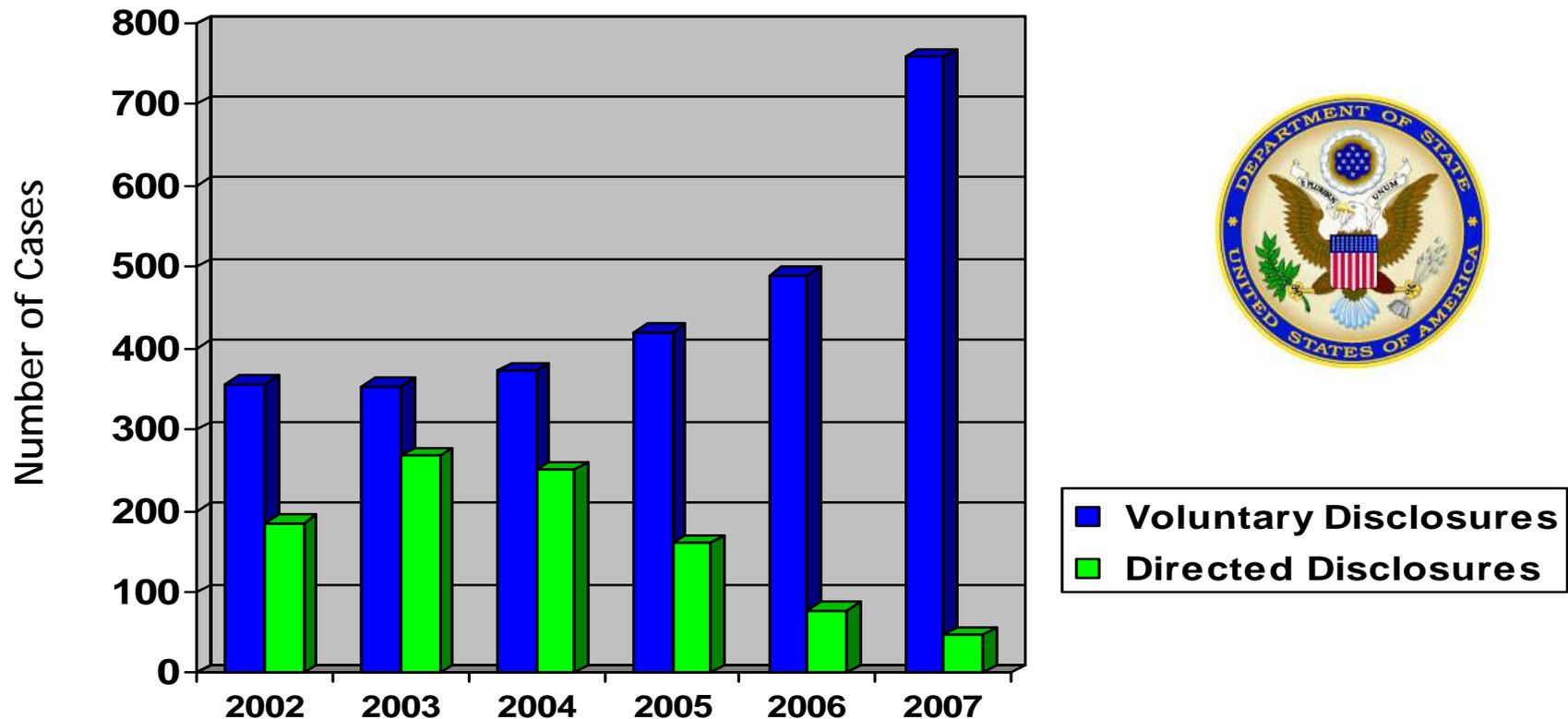
Areas of concern: information technology/systems, foreign nationals, record keeping, identifying and tracking US Munitions List articles, exemptions and licensing basics - knowing your customer

Proper jurisdictional determinations remain essential.

Compliance & Enforcement

ITAR Disclosure Trends - CY 2002-2007

Source: DDTC Compliance, ACI National Forum, July 24th, 2008



- Voluntary Disclosures are up almost 65% from CY 2006
- Directed Disclosures are down almost 40% from CY 2006

Compliance and Enforcement Violations and Penalties Settlements & Fines



2008 - Lockheed Martin Corporation - \$4,000,000
Charged with 8 violations

- Boeing - \$3,000,000 - Charged with 40 violations
- Northrop Grumman Corporation - \$15,000,000
Charged with 110 violations

2007 - *ITT Corporation - \$100,000,800
Pled Guilty to 2 Criminal Charges (one other deferred)

- ITT Corporation - \$28,000,000, Charged with 208 violations



2006 - Security Assistance International, Inc., and Henry L. Lavery III - \$75,000
Charged with 4 alleged violations

- Lockheed Martin Sippican - \$3,000,000
Charged with 6 alleged violations
- L-3 Communications Corporation/L-3 Titan Corporation - \$1,500,000
Charged with 6 alleged violations
- The Boeing Company - \$15,000,000
Charged with 86 alleged violations
- Goodrich Corporation / L-3 Communications Corporation - \$7,000,000
Charged with 26 alleged violations

Lockheed Martin Corporation (LMC) [Consent Agreement (CA) Effective Date: 080108]
United States (US) Department of State (DOS) - Settlement Summary (Draft as of 082908)

Trade compliance professionals are encouraged to read all the available related documents at http://pmddtc.state.gov/ca_LockheedMartinCorporation.htm

Charges	Description of Charges	Monetary Fines		Mandated Compliance Measure Highlights
		Actual	Remedial	
General	Unauthorized export of certain classified and unclassified technical (tech) data to a foreign country and a separate instance of unauthorized export of classified tech data to foreign nationals.	\$4,000,000 (Civil Penalty)	Including \$1,000,000	<ul style="list-style-type: none"> - With concurrence of the Director, Directorate of Defense Trade Controls (DDTC), appoint a qualified individual from the Respondent's General Counsel (GC) office as an Internal Special Compliance Official (ISCO) for a minimum of 2 years. - Within 30 days of the CA require applicable Business Units (BUs) to modify, as necessary, procedures to ensure compliance with DOS notification/authorization requirements regarding proposals/presentations concerning the sale of SME to foreign persons and the adequacy of these measures. - Ensure adequate resources are dedicated to ITAR compliance throughout Electronic Systems' (ES) ITAR-regulated BUs. - Arrange and facilitate, with minimum advance notice by the DOS, on-site audits during the 2-year term of the CA. - Within 120 days of the CA, provide additional training by an outside independent trainer on DSP-83 requirements, exporting classified tech data requirements, and proposal notification requirements regarding the Sale of SME. - Within 24-months of the CA conduct an audit by an approved outside consultant with expertise in AECA/ITAR matters. - Two years after the date of the CA, the Respondent will submit to the Director, DDTC a written certification that all aspects of this CA have been implemented, the effectiveness of the Respondent's compliance program has been assessed and the Respondent attests that their export compliance program is adequate to provide reasonable assurance as to the program's ability to identify, prevent, detect, correct and report violations of the AECA & ITAR.
1-3	- Unauthorized presentation/proposals concerning sale of the Hellfire Missile regarded as Significant Military Equipment (SME) to the United Arab Emirates (UAE).	<p align="center">This CA remains in effect for 2 years.</p> <p align="center">The total fine of \$4,000,000 equates to \$500,000 per alleged violation.</p> <p align="center">The actual monetary fine here is 100% of the maximum of \$4,000,000 for 8 administrative violations.</p> <p align="center">The worse case fine could have been \$8,000,000 for 8 criminal violations.</p> <p align="center">Since 2000 LMC has settled with the US DOS 3 times for a total of \$20,000,000 in fines and 44 alleged violations of the Arms Export Control Act (AECA).</p>		
4	- Unauthorized export of Hellfire Missile tech data to the UAE.			
5	- Unauthorized export of Hellfire Missile classified tech data to the UAE.			
6-7	- Failure to comply with the International Traffic in Arms Regulations (ITAR) and Department of Defense National Industrial Security Program (NISPO) Operating Manual in exporting Joint Air-to-Surface Standoff Missile (JASSM) classified tech data to non-cleared UAE personnel and to foreign persons of a major Non-North Atlantic Treaty Organization (NATO) ally.			
8	- Failure to obtain a Non-Transfer and Use Certificate (Form DSP-83) for the export of classified tech data.			

ISCO RESPONSIBILITIES: Three principal areas regarding the Respondent's future conduct: (a) Policy & Plans: must monitor ES ITAR compliance program & policy with specific attention in 7 different areas; (b) Specific Duties: must oversee 2 specific areas; (c) Reporting: track, evaluate and report on the CA mandated AECA & ITAR program enhancements and resources at ES ITAR-regulated BUs. The ISCO will have full & complete access to relevant Respondent personnel, books, records, documents, audits, reports, facilities and technical information relating to compliance with the CA and provide reports internally and to the Director, DDTC, every 6 months. [Reference: CA, Annex of Compliance Measures, pages 2-6, Appointment of an Internal Special Compliance Official, paragraphs (4)-(10)]

NOTABLE QUOTE: "Specifically, although the (LMC) employee was told prior to an overseas trip that certain classified JASSM information had not been approved for export to any country, this employee confused information authorized for public release with classified information and mistakenly discussed some of this classified JASSM information with foreign persons of a major non-NATO ally."

(Reference: Proposed Charging Letter, BACKGROUND, Unauthorized Release of Classified Information, page 3, paragraph 4, last sentence)

LMC DOS SETTLEMENT HISTORY: 2006 - Lockheed Martin Sippican, 6 alleged violations for unauthorized exports of classified & unclassified tech data on a joint project and related Technical Assistance Agreement with the US-Australian Navies and unauthorized provision of defense services, total fine \$3,000,000, appointment of an SCO and Remedial Compliance Measures (RMC) [Reference: http://pmddtc.state.gov/ca_lockheed_martin_sippican.htm]; 2000 - LMC, 30 alleged violations for exporting defense articles to a company in the People's Republic of China, specifically tech data and defense services in violation of the terms or conditions or other approvals (i.e. US DOS approved munitions licenses) including making proposals for the transfer of defense services and by omitting material facts from export license applications, total fine \$13,000,000 including \$5,000,000 for the cost of remedial compliance and monitoring measures and RMC [Reference: http://pmddtc.state.gov/ca_lockheedmartincorporation.htm]

Compliance and Enforcement Update

The Trade Compliance Attitude Spectrum



- Active Enthusiastic Involvement
- Willing Participation
- Genuine Interest
- Actual Acceptance
- Begrudging Acceptance
- Fear
- Deer in the Headlights
- Doubt
- Anger
- Denial
- Total Ignorance

*You, your organization
and the people in it, all fall
somewhere in here.*

Compliance and Enforcement Update

The Trade Compliance Attitude Indicators



- Active Enthusiastic Involvement - “I love to comply!”
- Willing Participation - “Here’s an idea.”
- Genuine Interest - “How can I help?”
- Actual Acceptance - “It does make sense.”
- Begrudging Acceptance - “If you say so.”
- Fear - “Jail?”
- Deer in the Headlights - “Huh?”
- Doubt - “Is that really possible?”
- Anger - “It’s in the public library!”
- Denial - “No way!”
- Total Ignorance - “What’s that?”

Shouldn't there also be upward progression from bad or worst to best practices?



EMD **HUGHES**
NETWORK SYSTEMS

Jet
infosystems

WILDEN **RHI**
LOCKHEED MARTIN

UCAR **Hamilton Sundstrand**
A United Technologies Company

ALLEGHENY
TELEDYNE
INCORPORATED

Illinois Tool Works Inc.

OPTO POWER
CORPORATION
HUGHES

SUNTRUST

EDO corporation
GLOBAL TECHNOLOGY REACH



Silicon Graphics
ITT Engineered Valves

INDUSTRIAL SCIENTIFIC CORPORATION

HOUGHTON CHEMICAL INTERNATIONAL

Bet Air

LEP **LION**
PRECISION

VARIAN

Gateway
Tyco Valves & Controls

AVS
MORRISON EXPRESS

Bushnell Lawrence Livermore National Laboratory **Atlas Copco**

GasTech **SUPERMICRO**

ExxonMobil **ATT Communications**
Taking on the world's toughest energy challenges.

TAL Industries

TRANE
It's Hard To Stop A Trane.

HANEFLEX

Hercaire
Lattice OMEGA
Semiconductor Corporation
Bringing the Best Together



Litton
Technology. Solutions. Results.

BRALCO

IGG Corporation

CACI
tems • Software • Simulation

GasTech
Engineering Corporation

NEW FOCUS **EMD**

NEC **HELCO**

Molecular PROBES
Intrigren® detection technologies

ElectroDyne
SERFILCO, LTD.

DirectTV

ITT Industries
Night Vision

GENERAL DYNAMICS
Strength On Your Side

KAISER ALUMINUM

ROTHCO

WACHS

MOTOROLA

CHEVY CHASE BANK

PANALPINA
on 6 continents

ABO

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SYNTEX



ORBIT / FR

LORAL
Space & Communications

JML

Lasertechnics

The BANK of NEW YORK.

Halliburton

Trijicon

SWISSCO

FREIGHT

ITT Goulds Pumps

IBM

FedEx **Los Alamos NATIONAL LABORATORY**

elan

Expeditors

Allergan

DHL **Bank of America**

DOW

RTI International Metals, Inc.

ALDRICH **SIGMA-**

OAI

DELL

COMPAQ **GCP**

JAGRO
Custom Brokers & International Freight Forwarders, Inc.

Sun
microsystems

MICROTEK

QUEST TECHNOLOGIES

Digital Creations

AVIATION

ADCOM
defense you can trust

GDC

Honeywell

PRESTON

Raytheon

Pratt & Whitney
A United Technologies Company
Summit Marketing

ADCO
Symmetricon

Entegris

GOODRICH

AERO SYSTEMS
WORLD WIDE AVIATION EQUIPMENT SALES AND SERVICE SYSTEM

Rockwell Automation