

DEFERRED PROSECUTION AGREEMENT

I.

INTRODUCTORY PARAGRAPH

This Deferred Prosecution Agreement (this "Agreement") is between the United States Attorney's Office for the Central District of California (the "USAO") and the United States Department of State (the "State Department"), on the one hand, and Armour of America, 416 W. El Segundo Boulevard, Los Angeles, California 90061 ("Armour of America") on the other. This Agreement is limited to the USAO and the State Department and cannot bind any other federal, state or local prosecuting, administrative or regulatory authorities. In order to resolve this matter fairly and in a manner that accurately reflects Armour of America's conduct in connection with export of 25 fiber glass kevlar hard armor panels to Indonesia on July 18, 1991 (the "July 18 export"), the parties agree as follows:

II.

DEFERRED PROSECUTION

The USAO agrees to defer criminal prosecution of Armour of America for violations of the Arms Export Control Act, 22 U.S.C. § 2778 and related regulations, and for violations of any other federal statutes and regulations in connection with the "July 18 export" from the date this Agreement is signed by all of the parties hereto until the monetary penalty set forth in paragraph IV of this agreement is paid in full by Armour of America. If at such time as the monetary penalty has been paid in full, Armour of America has not been prosecuted and convicted of violating any federal, state, or local criminal law and has fully complied with every provision of this Agreement, then the USAO will not prosecute Armour of America for any violations based upon the July 18 export.

III.

TOLLING OF STATUTE OF LIMITATIONS

Armour of America agrees to toll all applicable statutes of limitations for violations of the Arms Export Control Act, 22 U.S.C. § 2778 and related regulations and for any other federal statutes and regulations based upon the July 18 export for a two-year period beginning on the date of this Agreement by all of the parties hereto.

IV.

MONETARY PENALTY

Armour of America agrees to pay a civil penalty of \$20,000.00 (twenty thousand dollars) to the State Department as follows: Within ten (10) days after this Agreement has been signed by all of the parties hereto, Armour of America will pay \$5,000.00 (five thousand dollars) of the total penalty to the State Department. Armour of America will pay \$5,000.00 (five thousand dollars) of the balance of the civil penalty, without interest, to the State Department within five (5) months of the date of initial payment. Armour of America will pay the remaining \$10,000.00 (ten thousand dollars) of the civil penalty, without interest, to the State Department within 12 (twelve) months of the date of the initial payment. Nothing in this Agreement shall preclude Armour of America from pre-paying all or any portion of the balance of the civil penalty. ✓

Armour of America shall pay the civil penalty to the State Department by cashier's check or certified check made payable to the U.S. Department of State.

Armour of America agrees that the effect of any statutory limitation to the collection of the civil penalty imposed pursuant to this Agreement be tolled.

Armour of America agrees to waive any right to request a refund of the civil penalty imposed pursuant to this Agreement and any right to seek judicial review or otherwise to contest the validity of the penalty or any rights it may have under the International Traffic in Arms Regulations, including the right to any charging letter.

The payment of this civil penalty constitutes a settlement of any and all civil or administrative monetary claims or causes of action that the State Department may have against Armour of America or its officers, directors, employees or agents, except former employee Ms. Glenda Joyce Tucker, based upon the July 18 export. Upon receipt of the full payment from Armour of America of the civil penalty imposed pursuant to this Agreement, the State Department agrees to and does hereby release any and all claims and causes of action against Armour of America, or its officers, directors, employees or agents, except former employee Ms. Glenda Joyce Tucker, for any civil or administrative penalties, fines, damages or losses resulting from or based upon the July 18 export. Further, the State Department agrees that its release of these claims and causes of action is based solely upon the payment by Armour of America to the State Department of the full penalty imposed pursuant to this Agreement and that neither Armour of America nor any of its officers, directors, employees or agents will be liable to the State Department for any other monetary claims based upon the July 18 export except as Armour of America fails to comply with any other terms of this Agreement. Armour of America may,

however, still be subject to prosecution for the July 18 export if it violates the terms of this Agreement, it being understood that the deferred prosecution of Armour of America is conditioned upon Armour of America's compliance with this Agreement.

If Armour of America violates any term of this Deferred Prosecution Agreement, the Department of State retains the right to reimpose its suspension/denial decision upon Armour of America. Also, nothing in this Deferred Prosecution Agreement shall be deemed to limit the Department of State's authority to impose a revocation/suspension and/or denial policy upon Armour of America, if the Department has reasonable cause to believe that Armour of America has violated any provision, except for the July 18 export, of the Arms Export Control Act (22 U.S.C. § 2778-2780) or International Traffic in Arms Regulations (22 C.F.R. Parts 120-130), or any of the statutes enumerated in § 38(g) (1) of the Arms Export Control Act.

V.

COMPLIANCE PROGRAM

Attached hereto as Exhibit 1 is a written compliance program (the "Compliance Program") developed by Armour of America in connection with the operation of its business and the export of its products. Armour of America hereby represents and warrants that it has implemented this Compliance Program; that the Compliance Program has been distributed to each of its officers and employees; that each of its officers and employees has acknowledged in writing that he or she has received and has read the Compliance Program; and that each employee hired in the future will be required to acknowledge that he or she has received and read the Compliance Program. The State Department hereby acknowledges that it has reviewed and approved Armour of America's Compliance Program.

VI.

LIFTING OF SUSPENSION

The State Department hereby agrees that immediately upon its receipt of the first \$5,000.00 (five thousand) installment of the civil penalty payable by Armour of America under this Agreement and effective upon the date of its receipt of this first installment 1) the suspension, imposed by the State Department as of December 31, 1992, of all outstanding licenses and other approvals granted by the State Department to Armour of America, its related entities or its officers authorizing the export of defense articles and defense services shall be lifted; and 2) the policy to deny all export license applications and other requests for approval involving directly or indirectly Armour of America or its officers, which is set forth in the letter attached hereto as Exhibit 2, shall be rescinded. The

State Department further agrees that it will not reimpose either the suspension or the policy based upon the July 18 export, provided Armour of America timely pays the balance of the civil penalty imposed pursuant to this Agreement.

VII.

NO ADMISSION OF LIABILITY

Nothing in this Agreement shall be deemed an admission of liability or acknowledgment of any wrongdoing by Armour of America.

VIII.

NO ADDITIONAL AGREEMENTS

Except as expressly set forth herein, there are no additional promises, understandings or agreements between the USAO and the State Department on the one hand, and Armour of America, on the other, concerning any other criminal prosecution, civil litigation or administrative proceeding relating to any other federal, state or local charges that may now be pending or hereafter be brought against Armour of America. Nor may any additional agreement, understanding or condition relating to the July 18 export be entered into unless in writing and signed by all parties.

12/28/93
Date

TERREE A. BOWERS
United States Attorney

By 
Nathan J. Hochman
Assistant United States Attorney

12/23/93
Date

UNITED STATES DEPARTMENT OF STATE

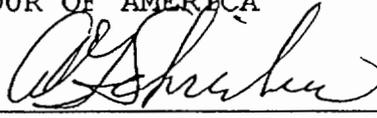
By 
Robert L. Gallucci
Assistant Secretary
Bureau of Political-Military
Affairs

Date

12/29/93

ARMOUR OF AMERICA

By



Arthur G. Schreiber
President

I have read this Agreement and carefully reviewed every part of it with Armour of America's attorney. I understand it, and I voluntarily agree to it on behalf of Armour of America. As President of Armour of America, I represent that I have authority to act for and on behalf of the corporation. Further, I have consulted with Armour of America's attorney and fully understand the corporation's rights that may apply to its case. No other promises or inducements have been made to the corporation, other than those contained in this Agreement. In addition, no one has threatened or forced me or any member of the corporation in any way to enter into this agreement. Finally, I am satisfied with the representation of Armour of America's attorney in this matter.

Date

12/29/93

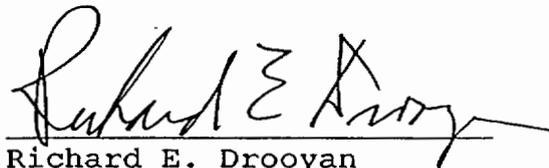


Arthur G. Schreiber
President of Armour of America

I am Armour of America's attorney. I have carefully reviewed every part of this Agreement with Arthur G. Schreiber, President of Armour of America, who to my knowledge, has authority to act for and on behalf of the corporation. To my knowledge, Armour of America's decision to enter into this Agreement is an informed and voluntary one.

Date

12/29/93



Richard E. Drooyan
Counsel for Armour of America