

UNITED STATES DEPARTMENT OF STATE
BUREAU OF POLITICAL-MILITARY AFFAIRS
WASHINGTON, D.C. 20520

In the Matter of:

DELFT INSTRUMENTS, N.V.
Delft, Netherlands

CONSENT AGREEMENT

This Agreement is made by and between Delft Instruments, N.V. (and its successor) (Delft) and the United States Department of State (Department), pursuant to § 128.11(b) of the International Traffic in Arms Regulations (22 C.F.R. Parts 120-130) (the Regulations).

WHEREAS, The Office of Defense Trade Controls, Bureau of Political-Military Affairs, United States Department of State, has notified Delft of its intention to initiate an administrative proceeding against Delft pursuant to § 38(e) of the Arms Export Control Act (the Act) (22 U.S.C. § 2778(e)) and § 128.3 of the Regulations, based on allegations that Delft violated § 38 (e) of the Act (22 U.S.C. § 2778) and § 127.2 of the Regulations as set forth in the proposed Charging Letter of July 11, 1997, attached hereto and incorporated by reference herein by concealing a material fact relating to knowledge of unlawful exports of munitions items.

WHEREAS, Delft has reviewed the proposed Charging Letter and fully understands it and this Agreement, and enters into this Agreement voluntarily and with full knowledge of its rights.

WHEREAS, Delft has been the subject of a criminal investigation by the U.S. Attorney for the District of Columbia, charging Delft with one (1) violation of 18 U.S.C. 1001, and Delft intends to enter a plea of guilty to certain charges in an information related to the allegations set forth in the proposed Charging Letter.

WHEREAS, Delft wishes to settle and dispose of all matters identified in the proposed Charging Letter by entering into this Consent Agreement; and

WHEREAS, the Department and Delft agree to be bound by this Agreement and a related administrative order ("Order") (attached) to be entered by the Assistant Secretary of State for Political-Military Affairs;

Now, WHEREFORE, Delft and the Department agree as follows:

Parties

1. The Parties to this Agreement are the Department and

Delft, its successors, including Delft Instruments Defense B.V., restructured as described below and hereinafter referred to separately. The separate Supervisory Boards of Delft, and of Delft Instruments Defense B.V. will also be treated as parties and signatories with respect to limited responsibilities under this agreement that relate to them.

Jurisdiction

2. The Department has jurisdiction over Delft under the Act and the Regulations in connection with the matters identified in the proposed Charging Letter.

Penalty

3. Delft agrees that it shall pay the Department a civil penalty of \$300,000 (three hundred thousand dollars) in complete settlement of the alleged violation of the Regulations \$200,000 (two hundred thousand dollars) within 10 days of the signing of the relevant Order, and \$100,000 (one hundred thousand) in annual installments of \$20,000 (twenty thousand dollars) over a five year period, due each year on the anniversary of the signing of the Order.

Compliance: restructuring and monitoring

4. Delft agrees that it will institute a corporate restructuring which will be completed within 60 days of the signing of the Order and will effect the changes and procedures and provide the assurances described in the Annex attached hereto and incorporated by reference herein in order to ensure that Mr. Rinze Kingma severs all business relationships with Delft Instruments Defense, B.V. and all its business units. Accordingly, Delft will also designate a principal authorized representative acceptable to the Department from among its Executive Board members, in addition to Mr. Kingma, to sign this agreement on behalf of Delft.

Lifting Debarment

5. Upon receipt of the affidavits required by the Annex and of the initial payment of the penalty in accordance with paragraph 3 above and absent any continuing law enforcement concerns by the Departments of Treasury, Justice, and Commerce, the Department will lift the statutory debarment of Delft that was imposed by Order of the Assistant Secretary for Political-Military Affairs on August 11, 1992. Failure by Delft to fulfill all requirements set out in paragraph 3 above and in the Annex, or the existence of any other compliance or law enforcement concerns, may result in the reimposition of statutory debarment.

Miscellaneous

(6) Delft understands that the Department will make the proposed Charging Letter, this Consent Agreement, and the relevant Order when entered, available to the public.

(7) The Department and Delft agree that the settlement reflected herein is part of a global settlement between Delft and the United States Government in order to settle and dispose of all civil, criminal and administrative matters identified in the subject Criminal Information and proposed Charging Letter. Accordingly, if the United States District Court, District of Columbia, does not accept the plea to which Delft and the Department of Justice have agreed to in the related criminal proceeding, this Consent Agreement shall not be binding on the parties.

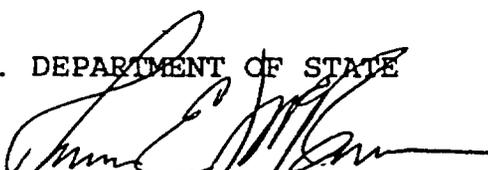
(8) The Department and Delft agree that this Consent Agreement is for settlement purposes only. Therefore, if this Consent Agreement is not approved, and the Order is not entered, by the Assistant Secretary for Political-Military Affairs, the Department and Delft agree that they may not use this Consent Agreement in any administrative or judicial proceeding and that neither party shall be bound by the settlement terms contained in this Consent Agreement in any subsequent administrative or judicial proceeding.

(9) No agreement, understanding, representation or interpretation not contained in this Consent Agreement may be used to vary or otherwise affect the terms of this Consent Agreement or the Order, when entered, nor shall this Consent Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein. The prior Consent Agreement of July 2, 1992, relating to this matter is not affected by this provision and continues to apply insofar as relevant.

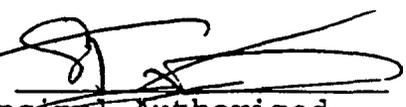
(10) Delft agrees that, upon entry of the guilty pleas to the Criminal Information and entry into force of the Order, it waives all rights to further procedural steps in the matter, including an administrative hearing pursuant to Section 128 of the Regulations, (except with respect to any alleged violations of this Agreement).

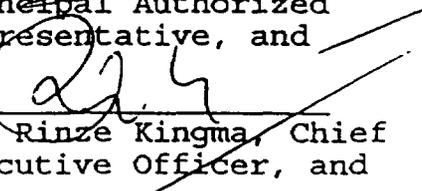
(11) This Consent Agreement shall become binding on the Department only when the Assistant Secretary for Political-Military Affairs approves it by entering the Order which will have the same force and effect as a decision and Order after a full administrative hearing on the record.

U.S. DEPARTMENT OF STATE

By: 
Authorized Representative

DELFT INSTRUMENTS N.V.

By: 
Principal Authorized Representative, and

By: 
Mr. Rinze Kingma, Chief Executive Officer, and

ON BEHALF OF Delft
Instruments N.V., DELFT
INSTRUMENTS SUPERVISORY BOARD

By: [Signature]
Authorized Representative

DELFT INSTRUMENTS DEFENSE B.V.

By: [Signature]
Eric Van T'Hooft, Chairman,
Executive Board

ON BEHALF OF Delft
Instruments Defense B.V.,
DELFT INSTRUMENTS DEFENSE
SUPERVISORY BOARD

By: [Signature]
Authorized Representative

ANNEX

Delft agrees to institute the following corporate restructuring, changes and procedures for a five-year period from the date of the agreement and to ensure that the following assurances are honored as part of the Consent Agreement.

(a) Major corporate changes will completely separate Delft Instruments Defense, currently a sub-holding company of Delft Instruments, N.V., such that these corporate entities will no longer be in a hierarchical relationship, but rather will co-exist, without subordination, as co-equal corporate entities (as reflected in the attached chart incorporated herein). As restructured, Delft Instruments Defense, B.V., will also have an Executive Board that is completely separate and independent from, and not subordinate to, the Executive Board of Delft Instruments, N.V. Delft Defense Instruments, B.V., will operate independently of Delft Instruments, N.V., with their only relations being Delft Defense Instrument's report of financial results to Delft Instruments, N.V., as part of the consolidated financial statement that the latter, a publicly-held company, issues to shareholders. As restructured, Delft Instruments Defense, B.V., will also be a party to this Agreement with respect to the applicable commitments hereunder.

(b) Delft will have Mr. Rinze Kingma resign from the current Delft Defense Executive Board and from his positions as a member of the Supervisory Board of the four Business Units comprising the Delft defense companies (i.e., DIEO, OIP, Franke Systemtechnik and Oldeft Electroni Instruments, Srl).

(c) Delft will permit Mr. Kingma to remain in his present position on the restructured Delft Instruments Executive Board. Mr. Kingma will not have any oversight over Delft Instruments Defense, B.V and its business units.

(d) The Supervisory Board of Delft Instruments, N.V. will remain structured so as not to permit Mr. Kingma as Chief Executive Officer of Delft Instruments, N.V., to be eligible for membership on it. Also, he will not be placed on the new Delft Defense Instruments Supervisory Board that will be established to exercise exclusive legal and operational control over Delft Instruments Defense, B.V., its subsidiaries, divisions, units, employees, agents, successors and all other affiliated entities.

(e) Internal reporting procedures by the Delft Defense Instruments, B.V., and its individual operating companies will be put into place with the defense companies in order to ensure that Mr. Kingma will not contact any of the Delft companies that may potentially use Regulation-controlled articles or technical data.

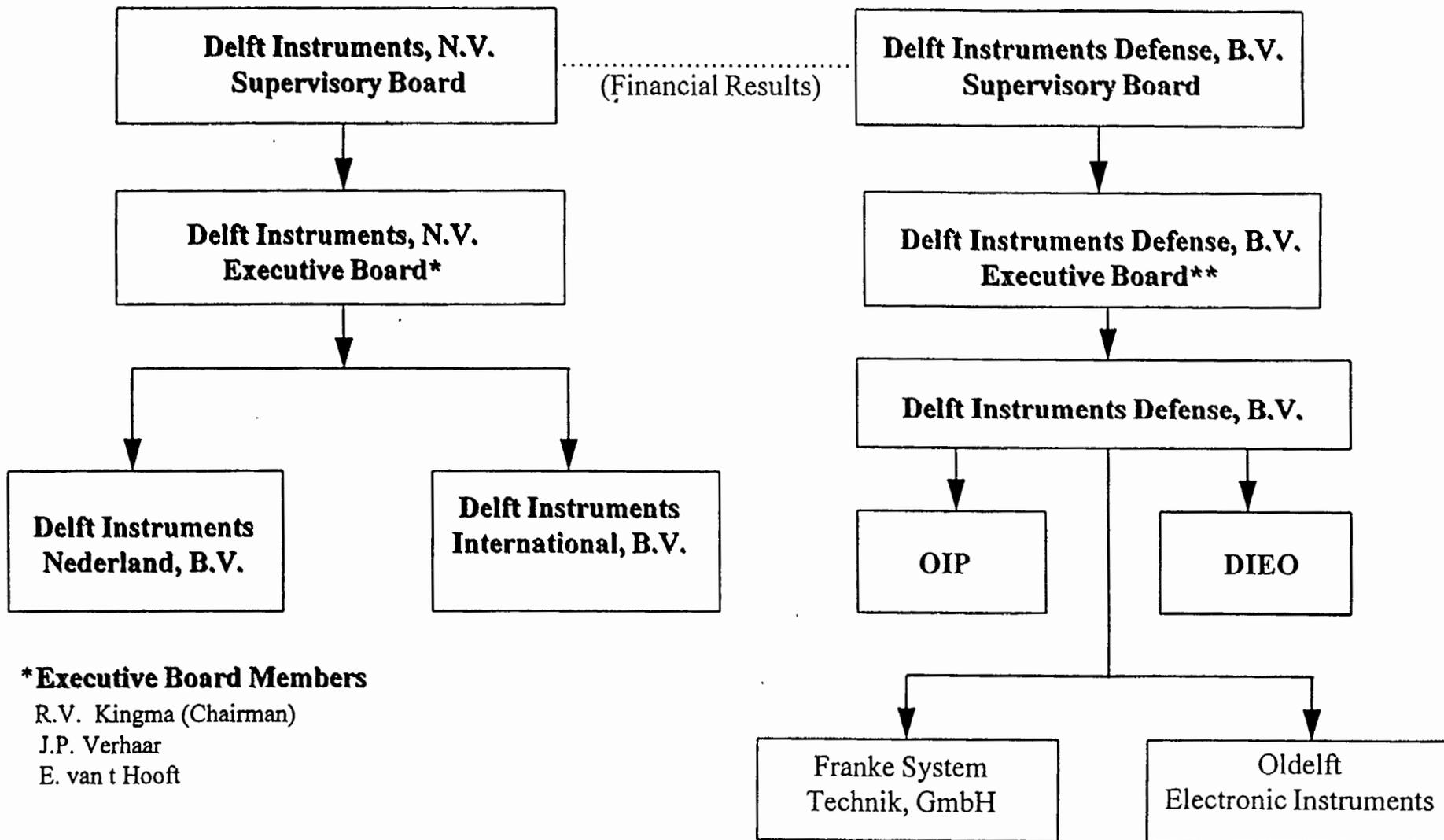
(f) Delft will not permit Mr. Kingma to increase his financial interests in Delft beyond its current level. Mr. Kingma's current financial interests in Delft Instruments, N.V., consists of 522 shares of the company's common stock (which represents .00007 per cent of Delft Instrument's voting shares). He owns no preferred stock, has stock options which if he exercises he will sell in the same transaction to preserve his present level of ownership, and has no further financial interests in any Delft subsidiaries other than that represented by the above 522 shares.

(g) Delft's Executive Board, the Executive Board of the restructured Delft Instruments Defense, B.V. and Mr. Rinze Kingma, will submit affidavits to the Department certifying that all measures set forth in paragraphs two and three have been implemented fully.

(h) For five years from the signing of the order, Mr. Kingma will, pursuant to these changes and procedures, exercise no influence or involvement with regard to any aspect of defense trade activities of Delft Instruments Defense, B.V, including but not limited to contracts, research and development programs, marketing and sales, consultations and managment, and personnel matters.

(i) To monitor implementation of and to ensure the efficacy of the above-mentioned measures, Delft will retain an appropriate internationally recognized auditing firm acceptable to the Department to initiate an audit 180 days after the requirements of subparagraphs a through h above have been met to determine specifically whether Delft is in full compliance with the requirements set out in paragraph 3 above. The audit report should be submitted to Delft and the Department within 90 days of commencement of the audit and should address the efficacy of the measures implemented to achieve the desired segregation of Mr. Kingma from the defense trade activities of the Delft family of businesses, and, as appropriate, contain recommendations for correcting any weaknesses identified in the course of the audit. Such recommendations will be implemented after consideration by the Department.

(j) Delft also agrees to an on-site visit by Department representatives at appropriate facilities within the first 18 months after the signing of the relevant Order, and such periodic visits thereafter as the Department may request from time to time to monitor compliance.



*** Executive Board Members**

R.V. Kingma (Chairman)
 J.P. Verhaar
 E. van t Hooft

**** Delft Instruments Defense B.V.**

Executive Board

E. van t Hooft (Chairman)