United States Department of State

Washington, D.C. 20520

This notice explains the Department's policy regarding exports by or involving Pratt & Whitney Canada Corporation (P&W Canada), a subsidiary of United Technologies Corporation (UTC). P&W Canada is the subject of a statutory debarment imposed by the Department.

On June 28, 2012, in the United States District Court for the District of Connecticut, P&W Canada entered a plea of guilty to violations of certain U.S. laws, including the Arms Export Control Act (AECA) and International Traffic in Arms Regulations (ITAR). Pursuant to the establishment of guilt in a criminal proceeding of P&W Canada for violation of the AECA and ITAR, and the authority provided in ITAR part 127, the Department imposed a statutory debarment on P&W Canada, subject to certain exceptions. Notices of statutory debarment are published in the Federal Register and made available on the DDTC website at http://www.pmddtc.state.gov/FRN.html

The following is intended to provide additional information to exporters regarding the terms of the debarment, the scope of the debarment and certain carve-outs from it, the impact of the debarment on other UTC entities, and requirements for submission of a request for an exception (commonly referred to as a "transaction exception") to authorize the inclusion of P&W Canada in a transaction that does not fall within the carve-outs from the debarment.

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Scope of the Statutory Debarment and Associated Restrictions

- The statutory debarment is applicable to P&W Canada only and not to UTC or to other subsidiaries and divisions of UTC.
- Associated restrictions extend to P&W Canada subsidiaries, divisions and business units, and successor entities. P&W Canada subsidiaries include Pratt & Whitney Kalisz Sp.z o.o., Pratt & Whitney Canada International, Inc., and Pratt & Whitney Canada Leasing, LP. The associated restrictions do not extend to entities managed, but not owned, by P&W Canada.
- Applications for licenses or other approvals submitted to DDTC that include P&W Canada, including its subsidiaries, divisions and business units, and successor entities, will be presumed to be denied and may be denied or

returned without action, unless the application falls within one of the carve-outs from the debarment as outlined below. P&W Canada, its subsidiaries, divisions and business units, and successor entities, are also not eligible to be a party involved where an ITAR license exemption is used, except as provided below.

- The term of statutory debarment is generally three years, but reinstatement is not automatic. Any reinstatement will be the subject of a separate Federal Register notice.

Existing Approvals

- All licenses and other approvals granted prior to the date of statutory debarment are valid and are not affected by the statutory debarment.

New Approvals

- Authorization requests involving P&W Canada, including its subsidiaries, divisions and business units, and successor entities, which are pending with the Department as of June 28, 2012, will be Returned Without Action, unless carve-out applicability confirmation or a transaction exception request is submitted via DTrade2 no later than July 6, 2012.
- New applications for licenses or other approvals or the use of ITAR exemptions involving P&W Canada, including its subsidiaries, divisions and business units, and successor entities, will be presumed to be denied unless they fall within one of the three carve-outs below or a request is made for a "transaction exception" and the exception is granted.
- Applicants are reminded that all submissions must specifically identify by name the relevant UTC subsidiary, division or business unit intended as a party to the transaction, or otherwise included in an authorization - sufficient to make clear whether or not P&W Canada or a related ineligible party is involved in the transaction. Applicants should not identify the parent UTC instead of a UTC subsidiary, division or business unit. UTC should only be included as a named participant in a transaction if it is, in fact, a party to the transaction. Where the parent UTC is properly a named party to the transaction, all relevant UTC subsidiaries, divisions or business units that are also parties to the transaction are to be included as well (e.g., UTC and Hamilton Sundstrand and Pratt & Whitney Canada, not just UTC).

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Carve-outs from the Statutory Debarment

Certain carve-outs from the statutory debarment have been approved by the Department. Applications for licenses or other authorizations, or use of ITAR exemptions, involving P&W Canada (including its subsidiaries, divisions and business units, and successor entities) that fall within the following three categories are not subject to the debarment or associated restrictions and do not require the submission of a supplemental "transaction exception" request:

- Transactions in support of:
  1. U.S. Government programs.
  2. Coalition Operation Enduring Freedom efforts.
  3. Government programs for NATO and Major Non-NATO Ally (ITAR § 120.32) countries.

- The Department requests that applicants reference the carve-out(s) from the statutory debarment and their applicability in submissions for authorizations.

"Transaction Exception" Requests for Authorizations Subject to the Statutory Debarment or Associated Restrictions

The Department may consider on a case-by-case basis specific requests for authorizations or use of ITAR exemptions involving P&W Canada, including its subsidiaries, divisions and business units, and successor entities, that are accompanied or preceded by a written "transaction exception" request.

- Criteria the Department uses to review a "transaction exception" request:
  - Is the exception warranted by overriding U.S. foreign policy or national security interests,
  - Would the exception further law enforcement concerns consistent with the foreign policy or national security interests of the U.S., or
  - Do compelling circumstances exist that are consistent with the foreign policy or national security interests of the U.S.

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- Exporters should explain in detail the reasons why the request is in accordance with any or all of the criteria above.
- Applications for authorizations involving P&W Canada (including its subsidiaries, divisions and business units, and successor entities) that fall within the scope of the statutory debarment or associated restrictions (i.e., they do not fall within one or more of the three categories in the section Carve-outs from the Statutory Debarment above) and are not accompanied by a "transaction exception" request will be denied or returned without action.

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