



**United States Department of State**

*Washington, D.C. 20520*

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

In the Matter of:

GOODRICH CORPORATION  
and  
L-3 COMMUNICATIONS CORPORATION

Respondents

CONSENT AGREEMENT

WHEREAS, the Office of Defense Trade Controls Compliance, Directorate of Defense Trade Controls ("DDTC"), Bureau of Political-Military Affairs, U.S. Department of State ("Department") has notified Goodrich Corporation ("Goodrich") and L-3 Communications Corporation ("L-3"), (collectively the "Respondents") of its intent to institute an administrative proceeding pursuant to the Arms Export Control Act ("Act") (22 U.S.C. § 2778(e)) and its implementing regulations, the International Traffic in Arms Regulations ("Regulations") (22 C.F.R. S 120-130), based on allegations of violations of Section 38 of the Act and Section 127 of the Regulations arising from activities of L-3 Communications Avionics, Inc. ("L-3 Avionics") formerly a subsidiary of Goodrich known as Goodrich Avionics Systems, Inc. ("Goodrich Avionics"), involving the omission of material facts in an export control document and exporting or causing the exports of a defense article without authorization as set forth in a Draft Charging Letter attached hereto and incorporated by reference, herein;

WHEREAS, the Respondents wish to dispose of all civil charges, penalties and sanctions arising from the Draft Charging Letter by entering into this Consent Agreement;

WHEREAS, the Respondents have reviewed the Draft Charging Letter and this Consent Agreement, fully understand these documents and each enter into this Agreement voluntarily and with full knowledge of their respective rights;

WHEREAS, the Department and the Respondents 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, the Department and each Respondent agrees as follows:

#### Parties

(1) The Parties to this Agreement are the Department and the Respondents and their respective business units engaged in the manufacture and/or export of defense articles and defense services, and other articles controlled on the U.S. Munitions list.

#### Jurisdiction

(2) The Department has jurisdiction over the Respondents under the Act and the Regulations in connection with the matters identified in the Draft Charging Letter.

#### Penalty

(3) The Respondents agree that they shall pay in fines and in remedial compliance measures an aggregate civil penalty of seven million dollars (\$7,000,000) comprised of the respective amounts stipulated in subparagraphs (A) and (B), in complete settlement of alleged civil violations pursuant to Section 38 of the Act and the Regulations, as set forth in the Department's Draft Charging Letter. The civil penalty shall be payable as follows:

- (A) A penalty of three million two hundred fifty thousand dollars (\$3,250,000) is hereby assessed of which five hundred thousand dollars (\$500,000) shall be paid by Goodrich and five hundred thousand dollars (\$500,000) shall be paid by L-3 to the Department of State within 10 days of signing of the Order. Two hundred fifty thousand dollars (\$250,000) shall be paid by Respondent Goodrich on the first anniversary of the signing of the Order and on each subsequent anniversary until a complete sum of seven hundred fifty thousand dollars (\$750,000) is paid. Five hundred thousand dollars (\$500,000) shall be paid by Respondent L-3 on the first anniversary of the signing of the Order and on each subsequent anniversary until a complete sum of one million five hundred thousand dollars (\$1,500,000) is paid. The Respondents agree that the effect of any statutory limitation to the collection of the civil penalty imposed by this Agreement shall be tolled until the last payment is made.
- (B) Aggregate penalties of three million seven hundred fifty thousand dollars (\$3,750,000) are hereby assessed for remedial compliance measures. Respondent Goodrich will apply one million seven hundred fifty thousand dollars (\$1,750,000) of this amount over a three (3) year period for the purpose of defraying a portion of the costs associated with the remedial compliance specified herein and in an agreed "Goodrich Annex of Compliance Measures" attached hereto. Respondent L-3 will apply two million dollars (\$2,000,000) of this amount over a three (3) year period for the purpose of defraying a portion of the costs associated with the remedial compliance specified herein and in an agreed "L-3 Annex of Compliance Measures" attached hereto.

The Respondents shall each provide annually to the Department on the anniversary of the date of the Order a written accounting(s) of the expenditures associated with paragraph 3(B) and certification that such expenditures meet the requirements of paragraph 3(B) for review and approval by the Department. The accounting shall be accompanied by the recommendation of the respective Internal Special Compliance Official ("ISCO") whether the expenditures meet the requirements of

paragraph 3(B) and shall include a separate accounting by the ISCO of expenses incurred under paragraph 1(D) of their respective Annex of Compliance Measures. The Department shall provide a written response to each accounting notifying the Respondents, individually, whether its respective expenditures are within the scope of this Consent Agreement and of the amounts that will be credited towards the penalty provided in paragraph 3(B).

Respondents are prohibited from applying or claiming the amounts expended as penalties, including those for remedial compliance measures, under this paragraph as reimbursable or recoverable costs in any contract or other dealings with any agency of the U.S Government (including any subcontract with respect to such a contract or as a Federal tax deduction). In the event Respondents violate this prohibition, the Department will deem it a “failure to apply funds appropriately for the required purposes.” Each written accounting to the Department shall include a specific certification by each Respondent that it has complied with this prohibition.

Any failure by Respondent to apply funds appropriately for the required purpose or to provide a satisfactory accounting shall be deemed by the Department to be a failure by such respondent to comply with the requirements of paragraph 3 and that Respondent shall be required, upon termination of the Consent Agreement, immediately to pay to the Department the amount specified in that paragraph, less credits for amounts the Department deems to be properly applied and accounted for as expenditures in compliance with this Agreement.

#### Debarment

(4) The Respondents have acknowledged the seriousness of the violations cited in the Draft Charging Letter (which includes omission of material facts in an export control document and unauthorized exports of defense articles). The Respondents have cooperated with the Department’s investigation, expressed regret for these activities and taken steps to improve their compliance programs. They have also undertaken to make amends by paying a cash penalty, and implementing the significant additional remedial compliance actions specified in this Consent Agreement. For these reasons, the Department has determined

that an administrative debarment of Respondents based on the civil charges in the Draft Charging Letter is not appropriate at this time. The Department reserves the right to consider imposing additional sanctions, including debarment under the Regulations, against the Respondents or any subsidiary or other affiliate, if it does not fulfill the provisions of this Consent Agreement or is responsible for other compliance or law enforcement concerns under the Act or other statutes in § 120.27 of the Regulations.

#### Material Facts in a Commodity Jurisdiction Request

(5) Respondents acknowledge that the Commodity Jurisdiction (“CJ”) process under Section 120.4 of the Regulations provides a mechanism for resolving questions as to whether an item is a defense article subject to the Department’s jurisdiction under the Regulations. Respondents further acknowledge that the incorporation of a defense article in an item subject to a CJ request is a material fact within the meaning of Section 127.2 of the Regulations, which must be disclosed in the request and that commodity jurisdiction requests and related documents are export control documents under the Regulations.

#### Official Designated for Consent Agreement Compliance and Oversight

(6) The Respondents shall each appoint a qualified individual from inside the corporation to serve as an Internal Special Compliance Official (“ISCO”). The term, authorities, and responsibilities of this official are described in the respective Annexes of Compliance Measures attached to this Consent Agreement.

#### On-site Audits

(7) For the purpose of assessing compliance with the provisions of the Act, the Regulations, this Consent Agreement, and future munitions licenses and other authorizations, Respondents agree to arrange and facilitate, with minimum advance notice respective on-site audits by the Department for three years commencing on the date of the signing of the Order, of itself, its direct and indirect subsidiaries, and other affiliates covered by each Respondent’s registration under the regulations.

## Understandings

(8) No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, when entered, nor shall this 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, except as otherwise noted. Respondents acknowledge and accept that there is no understanding expressed or implied through this Agreement with respect to a final decision by the Department of State concerning its interest in the approval of export licenses or other U.S. Government authorizations necessary to past, pending or future munitions license applications. The Department agrees, assuming the Respondents' faithful adherence to the terms of this Agreement, that decisions concerning future applications for export licenses and other authorizations involving the respective Respondent and its affiliates will be made on the basis of the national security and foreign policy interests of the United States and without reference to the facts alleged in the Draft Charging Letter and the Department's previously expressed concerns regarding the Respondents' reliability, which are considered to be appropriately mitigated through the faithful operation of this Consent Agreement.

(9) The Parties agree that this Agreement is for settlement purposes only. For purposes of this Agreement, the Respondents neither admit nor deny the allegations in the Draft Charging Letter (including without limitation those set forth in the "Relevant Facts and Charges" section of that letter). That said, the Respondents acknowledge the nature and seriousness of the violations alleged by the Department in the Draft Charging Letter, including the risk of harm to the security and foreign policy interests of the United States, and wish to make amends through the payment of civil penalties, as set forth in this Agreement, and also through enhancements to the corporate compliance program to prevent any future actions such as those addressed in the Draft Charging Letter. If this Consent Agreement is not approved pursuant to an Order entered into by the Assistant Secretary for Political Military Affairs, the Department and Respondents agree that they may not use this Agreement in any administrative or judicial proceeding and that none of

the parties shall be bound by the settlement terms contained in this Agreement in any subsequent administrative or judicial proceeding.

(10) The Department agrees that, upon signing of the Order and entry into force of this Agreement, this Agreement resolves with respect to the Respondents any civil penalties or sanctions imposed with respect to violations of Section 38 of the Act or the Regulations alleged in the Draft Charging Letter or arising from facts that the Respondents have disclosed in writing to the Department or that have been identified in the Draft Charging Letter.

#### Waiver

(11) The Respondents agree that, upon signing of the Order and entry into force of this Consent Agreement, each respectively waives all rights to seek any further procedural steps in this matter, including an administrative hearing pursuant to Part 128 of the Regulations (except with respect to any alleged violation of this Consent Agreement or Order). The Respondents also respectively waive all rights to seek administrative or judicial review or to otherwise contest the validity of this Consent Agreement, the Order, including in any action that may be brought for the enforcement of any civil fine, penalty or forfeiture in connection with this Consent Agreement or Order.

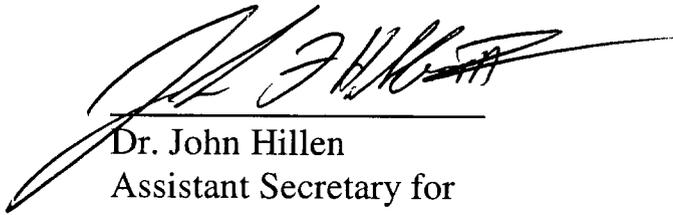
#### Documents to be Made Public

(12) The Respondents understand that the Department will make this Agreement, including each Annex of Compliance Measures, the Draft Charging Letter and the Order, when entered, all available to the public at the same time.

#### When Order Becomes Effective

(13) 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 issued after a full administrative hearing on the record.

U.S. Department of State



Dr. John Hillen  
Assistant Secretary for  
Political Military Affairs

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(Date)

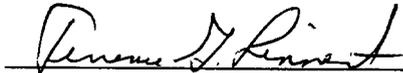
Goodrich Corporation



Mr. Marshall O. Larsen  
Chairman, President &  
Chief Executive Officer

3/22/06

(Date)



Mr. Terrence G. Linnert  
Executive Vice President & General Counsel

3/22/06

(Date)

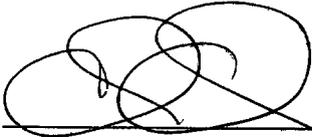
I-3 Communications Corporation



Mr. Frank C. Lanza  
Chairman & Chief Executive Officer

3/7/2006

(Date)



Mr. Christopher C. Cambria  
Senior Vice President & General Counsel

3/7/2006

(Date)

## Annex of Compliance Measures

### Goodrich Corporation (“Goodrich”)

Goodrich, reflecting its commitment to conduct its business in full compliance with the Arms Export Control Act (the "Act") and the International Traffic in Arms Regulations (the "Regulations"), and to strengthen and improve its compliance program has taken certain steps since January 2003, including establishing the International Trade Office with direct reporting to Goodrich's Office of General Counsel to oversee and administer its export compliance and providing export compliance training to its employees. In order to ensure, in particular, that commodity jurisdiction determinations are obtained in accordance with the Regulations, Goodrich agrees to implement the additional measures set forth below and other such additional measures as may be mutually agreed upon by Goodrich and the Director, Office of Defense Trade Controls Compliance (DTCC). These measures will be in effect for a period of three (3) years, except where otherwise noted and formal closure shall be confirmed by a letter from DDTC documenting the conclusion of this Agreement.

### Appointment of an Internal Special Compliance Official (“ISCO”)

(1) Goodrich's Executive Vice President & General Counsel shall, with the concurrence of the Director, DTCC, designate a qualified individual from within Goodrich to serve for a term of three (3) years as Goodrich's designated Internal Special Compliance Official (ISCO). The appointment shall be made within 15 days of signing the Order approving the Consent Agreement and be subject to the written approval of the Director, DTCC. The ISCO shall have four (4) principal areas of responsibility regarding the future conduct of Goodrich Corporation:

- (a) Continued monitoring and strengthening of Goodrich's corporate-wide export compliance programs, including improvement to written policies and procedures and training for activities subject to the Regulations;
- (b) Oversight of commodity jurisdictions and self-determinations activities subject to the Regulations;

(c) Supervising the review and audit required by paragraphs (2) and (7); and

(d) Ensuring that Goodrich performs its responsibilities in a timely and satisfactory manner as required by the Consent Agreement and Annex and the accompanying Order.

In fulfilling the responsibilities set forth in this Consent Agreement, the ISCO may at his/her sole discretion present any disagreement with Goodrich's management directly to any or all among Goodrich's Chief Executive Officer, Executive Vice President & General Counsel, and Board of Directors or to the Director, DTCC. Goodrich's Executive Vice President & General Counsel may participate in discussions initiated by the ISCO with the Board of Directors at the ISCO or Directors' discretion. Goodrich shall consent to the following terms and conditions regarding the power, duties, authorities and responsibilities of the ISCO as they pertain to this Consent Agreement and the accompanying Order:

(A) The ISCO shall have the power and authority to monitor Goodrich's compliance with the terms of this Consent Agreement and accompanying Order and shall exercise such power and authority and carry out the duties and responsibilities of the ISCO as set forth herein in a manner consistent with the purpose of this Consent Agreement. Within five (5) days of the Director of DTCC providing written approval of the appointment of the ISCO, Goodrich shall confer this authority in writing by the Executive Vice President & General Counsel, and make this known throughout Goodrich, and Goodrich shall provide a copy of this notice to the Director, DTCC within thirty (30) days.

(B) If for any reason the ISCO is unable to serve in this capacity for the duration of the Agreement, Goodrich's Executive Vice President & General Counsel will recommend a successor acceptable to the Director, DTCC. Such recommendation shall be made at least thirty (30) days in advance of a new appointment. If the ISCO is unable to carry out his or her responsibilities on a temporary basis (i.e., not to exceed thirty (30) days), Goodrich's Executive Vice President & General Counsel shall assume the power and authority of the ISCO in the interim to ensure compliance with the terms of this annex.

(C) The ISCO shall have full and complete access to Goodrich's personnel, books, records, documents, facilities and technical information relating to this Consent Agreement, Order and pertinent munitions authorizations, licenses, guidance, technical information, Commodity Jurisdictions, self determinations and related export of articles and services associated with the jurisdictional determinations.

(D) The ISCO, with the consent of the Executive Vice President & General Counsel, which shall not be unreasonably withheld, shall have the authority to employ, at the expense of Goodrich, such assistants and professionals as are necessary to carry out the additional responsibilities of the ISCO as it relates to the Consent Agreement. Expenses for any such positions, including salaries and expenses of the ISCO and his or her staff, directly related to this Agreement, may be paid from the one million seven hundred fifty thousand dollar (\$1,750,000.00) penalty specified for compliance enhancements.

(E) The Office of DTCC may, at its own initiative, issue to Goodrich and/or its ISCO such guidance or request a specific inquiry as may be necessary or appropriate to ensure compliance with the Regulations and the terms and conditions of authorizations DTCC has provided to Goodrich.

(F) The ISCO shall provide reports to Goodrich's Chief Executive Officer, the Executive Vice President & General Counsel and the Board of Directors of Goodrich, as well as the Director, DTCC, concerning Goodrich's compliance with this Agreement and Order. These reports shall include conclusions and any recommendations necessary to ensure strict compliance with the Act and Regulations; state whether the ISCO has encountered any difficulties in exercising the duties and responsibilities assigned herein; describe any and all instances of non-compliance without waiving Goodrich's ability to submit voluntary disclosures; and advise on progress in implementing previous recommendations advanced by the ISCO. These reports may, in a separate annex, also include any relevant comments or input by Goodrich's Executive Vice President & General Counsel. These reports shall be provided every ninety (90) days for a period of six months from the date of signing of the Order; and semi-annually thereafter during the remainder of the Consent Agreement.

## Review

(2) Goodrich shall conduct a review of the functional processes involved in the identification of defense articles and services to verify that the processes are effective to comply with the Act and the Regulations and to determine whether there were any errors or omissions in Goodrich's previous self-determinations of defense articles or defense services status or previous requests for CJ determinations of such status. Such review shall include an examination of all of Goodrich's Commerce Commodity Classification Requests and requests for CJ determinations made by current Goodrich business operations during the seven-year period preceeding the signing of the Order approving the Consent Agreement. The review will be conducted under the supervision of the ISCO. The review may be conducted, as needed, in stages, commencing with business units most affected by the activities that are subject to the Draft Charging Letter, the Act and Regulations.

Within ninety (90) days of the signing of the Order, the ISCO will provide the Director, DTCC with a draft verification plan for review and written comments. Within twelve (12) months of the signing of the Order approving the Consent Agreement Goodrich shall submit a written report of the findings and recommendations of the review to the Executive Vice President & General Counsel and to the Director, DTCC.

## Strengthened Compliance Policies, Procedures & Training

(3) Within sixty (60) days of the signing of the Order, Goodrich will submit to the Director, DTCC its plan to accomplish within two hundred seventy (270) days of the signing of the Order strengthened corporate export compliance policies, procedures and training focused principally on Commodity Jurisdictions and self-determinations such that:

(a) all relevant Goodrich employees of business units engaged in the design, manufacturing, and assembling of articles that potentially could contain a part or component controlled on the USML are familiar with the Act, the Regulations and Goodrich's policies and responsibilities thereunder;

(b) all officers at the corporate level and all persons responsible for supervising those employees identified in paragraph (a), including senior management officials, are knowledgeable about the underlying policies and principles of both the Act and the Regulations;

(c) there are records maintained indicating the names of employees, trainers, and level and area of training received (e.g., determination of what is a U.S. origin defense article, including technical data, defense services and when and how to request a Commodity Jurisdiction) and copies of training materials used; and

(d) a formal training program will be instituted for Empowered Officials within the company, including mandatory training requirements covering the specifics of identifying defense articles, procedures for conducting self-determinations and Commodity Jurisdiction (“CJ”) and the preparation of CJ requests, such training to be completed within one-hundred eighty (180) days of signing the Order.

Policies, procedures and training will ensure that, in assessing whether an item is a defense article, Goodrich considers all relevant and material information, including the status of components of that item; all such information, including the existence of any prior CJ determinations or pending CJ requests known or believed to exist, is disclosed to Goodrich decision makers and in requests to the Department for CJ determinations; and that any doubts about the status of any item or component thereof will be resolved by submitting a request to the Department for a CJ determination.

#### Legal Department Oversight

(4) The International Trade Office (“ITO”) of Goodrich has, since 2003, reported directly to the Office of General Counsel on export/import compliance issues. Within thirty (30) days of the signing of the Order, Goodrich will ensure that communication is distributed across the company to emphasize that the General Counsel’s Office of Goodrich will provide oversight and support to all of its business units for all matters involving the Act and the Regulations. Toward this end, Goodrich General Counsel's office shall consider and implement, where appropriate, those improvements

in the compliance programs recommended by the ISCO. In addition, the Executive Vice President & General Counsel of Goodrich shall take action such that for each Goodrich business unit, appropriate ITO and legal support is made available as necessary to the principal personnel responsible for compliance with the Act and the Regulations and appropriate oversight is performed for each business unit with respect to such matters. In addition to other reporting responsibilities, Goodrich's ITO and appropriate legal staff providing support regarding the Act and the Regulations shall regularly report to the Executive Vice President & General Counsel with respect to such matters. The ISCO will have appropriate, documented input in performance reviews of the principal personnel throughout the company responsible for compliance with the Act and the Regulations.

#### Electronic Export Compliance System

(5) Goodrich shall initiate an electronic export compliance system to strengthen Goodrich's internal controls for ensuring compliance with the Act and Regulations. Within one hundred fifty (150) days of the signing of the Order, Goodrich shall provide to DTCC a "White Paper" for review and concurrence, outlining Goodrich's proposed electronic export compliance system to track the export jurisdiction and controls of products and services and identify whether export authorization is required. This system will cover the identification and jurisdictional analysis, reviews, and approval(s) and will document the proper export control information for systems, sub-systems, parts and components and will be accessible to DTCC upon request. The electronic export compliance system will be implemented in a phased approach across Goodrich beginning with the Business Units most affected by the Act and Regulations. The initial phase will be implemented within twelve (12) months of the signing of the Order.

#### Legal and Ethics Compliance Program – HOTLINE for AECA and ITAR

(6) Within 30 days of the signing of the Order, Goodrich will specifically publicize the availability of Goodrich's Legal and Ethics Compliance Program for reporting violations of the Act and the Regulations to ensure that violations may be readily reported via this channel, without fear of recrimination or retaliation. Notice of complaints or concerns about matters involving compliance with the Act and the Regulations will be shared with

the ISCO who may assist the Vice President, Ethics and Business Conduct, in ensuring ultimate resolution of such matters. If the ISCO is the subject of the complaint or concern involving the Act and the Regulations, the matter will be referred to the Executive Vice President & General Counsel for resolution. Together with the Vice President, Ethics and Business Conduct, the ISCO shall prepare an annual report assessing the effectiveness of the Ethics Hotline Program relating to export matters for the Executive Vice President & General Counsel and will provide a copy to the Director, DTCC. This written report will be in sufficient detail such that the Department may, consistent with its responsibilities under law and regulation, form an opinion about the seriousness of the alleged violations, without disclosing employee confidentiality.

### Audit

(7) Goodrich will conduct an audit that provides a thorough assessment of the effectiveness of Goodrich's and its subsidiaries' implementation of all measures set forth in the Consent Agreement and this Annex, with focus on those actions undertaken to address the problems illustrated in the Draft Charging Letter, the policies, procedures and training established for Goodrich and such other areas as may be identified by the ISCO or the Director, DTCC. The audit will be conducted under the supervision of the ISCO. Goodrich shall retain an independent consultant with expertise in AECA/ITAR matters generally and the Commodity Jurisdiction process in particular to review and comment on the proposed plan, its implementation and the findings and recommendations resulting from the review. The appointment of the consultant is subject to the approval of the Director, DTCC. Within twelve (12) months after the signing of the Order, a proposed audit plan will be submitted to the Director, DTCC for review and approval prior to the start of the audit. Goodrich will commence the initial phase of the audit by the second anniversary of the signing of the Order. The audit will be completed and a written report containing audit findings and recommendations for improvements with respect to measures set forth in the the Annex or compliance with the Act or the Regulations more generally, will be submitted by the ISCO to the Executive Vice President & General Counsel and the Director, DTCC upon the third anniversary of the signing of the order. Recommended compliance program improvements identified in the report shall be incorporated in compliance policies, procedures and training applicable to Goodrich and its subsidiaries.

### Civil Penalty.

(8) Goodrich agrees to a civil penalty of one million seven hundred fifty thousand dollars (\$1,750,000) for remedial compliance enhancements specified herein. All costs, including salaries, benefits and/or fees of the ISCO and personnel employed to assist the ISCO in his/her responsibilities, and any other expenses, in each case related to this Annex and/or the Consent Agreement, may be paid from the \$1,750,000 civil penalty. The ISCO will provide a yearly accounting to DTCC as to such costs and expenses, and any portion of the civil penalty not spent on remedial compliance enhancements will be paid immediately to DTCC upon termination of the Consent Agreement.

### Certification

(9) At the conclusion of the three (3) year term of this Consent Agreement, the ISCO and Executive Vice President & General Counsel or his/her successor at the Goodrich Corporation, shall each submit to the Director, DTCC a written certification that all aspects of the Consent Agreement have been implemented and that they have assessed its current compliance program and attest that its compliance measures are adequate to identify, prevent, correct and report violations of the AECA and the ITAR. Such certification shall specifically address compliance with paragraph (3) of the Consent Agreement.

## Annex of Compliance Measures

### L-3 Communications Corporation (“L-3”)

L-3, reflecting its commitment to conduct its business in full compliance with the Arms Export Control Act (the "Act") and the International Traffic in Arms Regulations (the "Regulations"), and in order to ensure that commodity jurisdiction determinations are obtained in accordance with the Regulations, has taken certain steps since August 2003 to strengthen and improve its compliance program, provide export compliance training to its employees and agrees to implement the remedial measures set forth below and such other additional measures as may be mutually agreed upon by L-3 and the Director, Office of Defense Trade Controls Compliance (DTCC). These measures will be in effect for a period of three (3) years, except where otherwise noted and formal closure shall be confirmed by a letter from DDTC documenting the conclusion of this Agreement.

### Appointment of an Internal Special Compliance Official (“ISCO”)

(1) L-3’s Senior Vice President & General Counsel shall, with the concurrence of the Director, DTCC, designate a qualified individual from within L-3 to serve for a term of three (3) years as L-3’s designated Internal Special Compliance Official (ISCO). The appointment shall be made within fifteen 15 days of the signing the Order approving the Consent Agreement and be subject to the written approval of the Director, DTCC. The ISCO shall have four (4) principal areas of responsibility regarding the future conduct of L-3 Communications Corporation:

- (a) Continued monitoring and strengthening of L-3’s corporate-wide export compliance programs, including improvement to written policies and procedures and training for activities subject to the Regulations;
- (b) Oversight of commodity jurisdictions and self-determinations activities subject to the Regulations;

- (c) Supervising of the review and audit required by paragraphs (2) and (7); and
- (d) Ensuring that L-3 performs its responsibilities in a timely and satisfactory manner as required by the Consent Agreement and Annex and the accompanying Order.

In fulfilling the responsibilities set forth in this Consent Agreement, the ISCO may at his/her sole discretion present any disagreement with L-3's management directly to any or all among L-3's Chief Executive Officer, Senior Vice President & General Counsel, and Board of Directors or to the Director, DTCC. L-3's Senior Vice President & General Counsel may participate in discussions initiated by the ISCO, with the Board of Directors at the ISCO or Directors' discretion. L-3 shall consent to the following terms and conditions regarding the power, duties, authorities and responsibilities of the ISCO as they pertain to this Consent Agreement and the accompanying Order:

(A) The ISCO shall have the power and authority to monitor L-3's compliance with the terms of this Consent Agreement and accompanying Order and shall exercise such power and authority and carry out the duties and responsibilities of the ISCO as set forth herein in a manner consistent with the purpose of this Consent Agreement. Within five (5) days of the Director of DTCC providing written approval of the appointment of the ISCO, L-3 shall confer this authority in writing by the Senior Vice President & General Counsel, and make this known throughout L-3, and L-3 shall provide a copy of this notice to the Director, DTCC within thirty (30) days.

(B) If for any reason the ISCO is unable to serve in this capacity for the duration of the Agreement, L-3's Senior Vice President & General Counsel will recommend a successor acceptable to the Director, DTCC. Whenever practicable in light of the circumstances under which the ISCO is unable to serve, such recommendation shall be made at least thirty (30) days in advance of a new appointment. If the ISCO is unable to carry out his responsibilities on a temporary basis (i.e., not to exceed thirty (30) days), L-3's Senior Vice President & General Counsel shall assume the power and authority of the ISCO in the interim to ensure compliance with the terms of this annex.

(C) The ISCO shall have full and complete access to L-3's personnel, books, records, documents, facilities and technical information relating to this

Consent Agreement, Order and pertinent munitions authorizations, licenses, guidance, technical information, Commodity Jurisdictions, self determinations and related export of articles and services associated with the jurisdictional determinations.

(D) The ISCO, with the consent of the Senior Vice President & General Counsel, which shall not be unreasonably withheld, shall have the authority to employ, at the expense of L-3, such assistants and professionals as are necessary to carry out the additional responsibilities of the ISCO as it relates to the Consent Agreement. Expenses for any such positions, including salaries and expenses of the ISCO, directly related to this Agreement, may be paid from the two million dollar (\$2,000,000) penalty specified for compliance enhancements.

(E) The Office of DTCC may, at its own initiative, issue to L-3 and/or its ISCO such guidance or request a specific inquiry as may be necessary or appropriate to ensure compliance with the Regulations and the terms and conditions of authorizations DTCC has provided to L-3.

(F) The ISCO shall provide reports to L-3's Chief Executive Officer, Senior Vice President & General Counsel and the Board of Directors, as well as the Director, DTCC, concerning L-3's compliance with this Agreement and Order. These reports shall include conclusions and any recommendations necessary to ensure strict compliance with the Act and Regulations; state whether the ISCO has encountered any difficulties in exercising the duties and responsibilities assigned herein; describe any and all instances of non-compliance without waiving L-3's ability to submit voluntary disclosures; and advise on progress in implementing previous recommendations advanced by the ISCO. These reports may, in a separate annex, also include any relevant comments or input by L-3's Senior Vice President & General Counsel. These reports shall be provided every ninety (90) days for a period of six months from the date of signing of the Order; and semi-annually thereafter during the remainder of the Consent Agreement.

### Review

(2) L-3 shall conduct a review of the functional processes involved in the identification of defense articles and services to verify that the processes are effective to comply with the Act and the Regulations and to determine

whether there were any errors or omissions in L-3's previous self-determinations of defense articles or defense services status or previous requests for CJ determinations of such status. Such review shall include an examination of all of L-3's Commerce Commodity Classifications Requests and requests for CJ determinations made by current L-3 business operations during the seven-year period preceeding the signing of the Order approving the Consent Agreement. The review will be conducted under the supervision of the ISCO. The review may be conducted, as needed, in stages, commencing with business units most affected by the activities that are subject to the Draft Charging Letter, the Act and Regulations.

L-3 shall retain an independent consultant with expertise in AECA/ITAR matters generally and the Commodity Jurisdiction process in particular to review and comment on the draft verification plan (as contemplated in this paragraph), and its implementation, and the findings and recommendations resulting from the review (as contemplated in the next paragraph below). The appointment of the consultant is subject to the approval of the Director, DTCC. Within ninety (90) days of the signing of the Order, the ISCO will provide the Director, DDTC with a draft verification plan for review and written comments. The proposed plan will also contain recommendations and comments by the consultant. Within twelve (12) months of the signing of the Order approving the Consent Agreement, L-3 shall submit a written report of the findings and recommendations of the review, including the comments of the consultant, to the Senior Vice President & General Counsel and to the Director, DTCC, without waiving L-3's ability to make voluntary disclosures.

#### Strengthened Compliance Policies, Procedures & Training

(3) Within sixty (60) days of the signing of the Order, L-3 will submit to the Director, DTCC its plan to accomplish within two hundred seventy (270) days of the signing of the Order strengthened corporate export compliance policies, procedures and training focused principally on Commodity Jurisdictions and self-determinations such that:

(a) all relevant L-3 employees of business units engaged in the design, manufacturing, and assembling articles that potentially could contain a part or component controlled on the USML are familiar with the

Act, the Regulations and L-3's policies and responsibilities thereunder;

(b) all officers at the corporate level and all persons responsible for supervising those employees including senior management officials are knowledgeable about the underlying policies and principles of the Act and the Regulations;

(c) there are records maintained indicating the names of employees, trainers, and level and area of training received (e.g., determination of what is a U.S. origin defense article, including technical data, defense services and when and how to request a Commodity Jurisdiction) and copies of training materials used and

(d) a formal training program will be instituted for Empowered Officials within the company, including mandatory training requirements covering the specifics of identifying defense articles, procedures for conducting self-determinations and Commodity Jurisdiction ("CJ") and the preparation of CJ requests, such training to be completed within one-hundred eighty (180) days of signing the Order.

Policies, procedures and training will ensure that, in assessing whether an item is an defense article, L-3 considers all relevant and material information, including the status of components of that item; all such information, including the existence of any prior CJ determinations or pending CJ requests known or believed to exist, is disclosed to L-3 decision makers and in requests to the Department for CJ determinations; and that any doubts about the status of any item or component thereof will be resolved by submitting a request to the Department for a CJ determination.

#### Legal Department Oversight

(4) The International Licensing Group ("ILG") of L-3 reports through the Vice President, Washington Operations, to the Senior Vice President and General Counsel on export/import compliance issues. Within thirty (30) days of the signing of the Order, L-3 will ensure that communication is distributed across the company to emphasize that the General Counsel's Office of L-3 will provide oversight and support to the ILG and to all of its

L-3 business units for all matters involving the Act and the Regulations. Toward this end, L-3 General Counsel's office shall consider and implement, working with the ILG, those improvements in the compliance programs recommended by the ISCO. In addition, the Senior Vice President & General Counsel of L-3 shall take action such that for each L-3 business unit, appropriate ILG and legal support is made available as necessary to the principal personnel responsible for compliance with the Act and the Regulations and appropriate oversight is performed for each business unit with respect to such matters. In addition to other reporting responsibilities, L-3's ILG and appropriate legal staff providing support regarding the Act and the Regulations shall regularly report to L-3's Senior Vice President & General Counsel with respect to compliance matters. The ISCO will have appropriate, documented input in performance reviews of the principal personnel throughout the company responsible for compliance with the Act and the Regulations.

#### Automated Export Compliance System

(5) L-3 shall institute an automated export compliance system to strengthen L-3's internal controls for ensuring compliance with the Act and Regulations. Within one hundred fifty (150) days of the signing of the Order, L-3 shall provide to DTCC a "White Paper" for review and concurrence, outlining L-3's proposed automated export compliance system to track the export jurisdiction and controls of products and services and identify whether export authorization is required. This system will cover the identification and jurisdictional analysis, reviews, and approval(s) and will document the proper export control information for systems, sub-systems, parts and components and will be accessible to DTCC upon request. The automated export compliance system will be implemented in a phased approach across L-3 beginning with the Business Units most affected by the Act and Regulations. The initial phase will be implemented within twelve (12) months of the signing of the Order.

#### Ethics - HELPLINE

(6) Within 60 days of the signing of the Order, L-3 will specifically publicize the availability of L-3's Ethics Helpline for reporting violations of the Act and the Regulations to ensure that violations may be readily reported

via this channel, without fear of recrimination or retaliation. Notice of complaints or concerns about matters involving compliance with the Act and the Regulations will be shared with the ISCO who may assist the Senior

Vice President, Ethics, in ensuring ultimate resolution of such matters. If the ISCO is the subject of the complaint or concern involving the Act and the Regulations, the matter will be referred to the Senior Vice President & General Counsel for resolution. Together with the Senior Vice President, Ethics, the ISCO shall prepare an annual report assessing the effectiveness of the Ethics Helpline Program relating to export matters for the Senior Vice President & General Counsel and will provide a copy to the Director, DTCC. This written report will be in sufficient detail such that the Department may, consistent with its responsibilities under law and regulation, form an opinion about the seriousness of the alleged violations, without disclosing employee confidentiality and without waiving L-3's ability to make voluntary disclosures.

### Audit

(7) L-3 will conduct an audit that provides a thorough assessment of the effectiveness of L-3's and its subsidiaries' implementation of all measures set forth in the Consent Agreement and this Annex, with focus on those undertaken to address the problems illustrated in the Draft Charging Letter, the policies, procedures and training established for L-3 and such other areas as may be identified by the ISCO or the Director, DTCC. The audit will be conducted under the supervision of the ISCO. L-3 shall retain an independent consultant with expertise in AECA/ITAR matters generally and the Commodity Jurisdiction process in particular to review and comment on the the proposed plan, its implementation, and the findings and recommendations resulting from the review. The appointment of the consultant is subject to the approval of the Director, DTCC. Within twelve (12) months after the signing of the Order, a proposed audit plan will be submitted to the Director, DTCC for review and approval prior to the start of the audit. L-3 will commence the initial phase of the audit by the second anniversary of the signing of the Order. The audit will be completed and a written report containing recommendations for improvements with respect to measures set forth in the the Annex or compliance with the Act or the Regulations more generally, will be submitted by the ISCO to the Senior Vice President & General Counsel and the Director, DTCC upon the third

anniversary of the signing of the Order. Recommended compliance program improvements identified in the report shall be incorporated in compliance policies, procedures, and training applicable to L-3 and its subsidiaries.

### Civil Penalty

(8) L-3 agrees to a civil penalty of two million dollars (\$2,000,000) for remedial compliance enhancements specified herein. All costs, including salaries, benefits and/or fees of personnel employed to assist the ISCO in his/her responsibilities, and any other expenses, in each case related to this Annex and/or the Consent Agreement, may be paid from the \$2,000,000 civil penalty. The ISCO will provide a yearly accounting to DTCC as to such costs and expenses, and any portion of the civil penalty not spent on remedial compliance enhancements will be paid immediately to DTCC upon termination of the Consent Agreement.

### Certification

(9) At the conclusion of the three (3) year term of this Consent Agreement, the ISCO and Senior Vice President & General Counsel or his/her successor at L-3, shall each submit to the Director, DTCC a written certification that all aspects of the Consent Agreement have been implemented and that they have assessed L-3's current compliance programs and attest that its compliance measures are adequate to identify, prevent, correct and report violations of the AECA and the ITAR. Such certification shall specifically address compliance with paragraph (3) of the Consent Agreement.