

DRAFT CHARGING LETTER

U.S. Department of State
Bureau of Political-Military Affairs
Office of Defense Trade Controls
Washington, D.C. 20520-0602

October 26, 1999

Thomas D. Hyde
Senior Vice President
and General Counsel
Raytheon Company
141 Spring Street
Lexington, Massachusetts 02420

Re: Raytheon Aircraft Company

Dear Mr. Hyde:

The Department of State charges that Raytheon violated the Arms Export Control Act and the International Traffic in Arms Regulations, as described below. Eleven (11) violations are charged at this time, without prejudice to the U.S. Government's continuing review of the facts and circumstances associated with Raytheon Aircraft Company's conduct with respect to the sale of T-6A aircraft to Canada.

RELEVANT FACTS:

Raytheon Aircraft Company (RAC) is a wholly owned subsidiary of Raytheon. Raytheon is a corporation organized under the laws of the United States and the State of Delaware.

Raytheon is a U.S. person engaged in the business of manufacturing and exporting defense articles and defense services and is so registered with the Department of State pursuant to section 38 of the Arms Export Control Act and 22 C.F.R. 122.1, the International Traffic in Arms Regulations.

Raytheon is subject to the jurisdiction of the United States, in particular with respect to the Arms Export Control Act and the International Traffic in Arms Regulations.

Bombardier Services (Canada), Milit-Air (Canada), and CAE Electronics, Ltd.(Canada) all are foreign persons within the meaning of 22 C.F.R. 120.16.

On August 21, 1998, RAC submitted a technical assistance agreement to the Office of Defense Trade Controls in which it requested authority to export defense articles and defense services to Canada in furtherance of a contract it entered into with Milit-Air to sell 24 T-6A trainer.

On December 30, 1997, RAC submitted a technical assistance agreement to the Office of Defense Trade Controls in which it requested authority to export defense articles and defense services to Canada in furtherance of a related contract it entered into with CAE Electronics, Ltd. to develop flight training devices.

During the period covered by the charges, Raytheon has exported unlawfully or caused the unlawful export of defense articles designated on the United States Munitions List (22 C.F.R. § 121).

Raytheon voluntarily has disclosed the underlying facts concerning these violations in letters to the Office of Defense Trade Controls dated June 18, 1999, and July 6, 1999.

THE CHARGES

CHARGE 1

On June 23, 1998, prior to submitting the necessary technical assistance agreement for the Department of State's approval, Raytheon exported technical data to Canada (specifically, a draft maintenance manual for T-6A trainer aircraft), without the required license from the Department of State.

CHARGE 2

On November 3, 1998, prior to the date on which Raytheon received approval from the Department of State for technical assistance agreement no. 1145-98, Raytheon exported technical data to Canada (specifically, a

report prepared for the U.S. Air Force concerning the T-6A On Board Oxygen Generation System) without the required license from the Department of State.

CHARGE 3

On November 10, 1998, following approval by the Department of State of technical assistance agreement no. 1145-98, Raytheon violated the terms and conditions of that approval by the export of technical data to Canada (specifically, decompression software to interpolate data in the T-6A flight data recorder) prior to obtaining a non-transfer and use certificate (i.e., DSP-83) and prior to bringing the agreement in force.

CHARGES 4-7

On September 24, 1998, December 21, 1998, December 30, 1998, and February 5, 1999, following approval by the Department of State of technical assistance agreement no. 1656-97, the terms and conditions of which specifically prohibited the shipment of hardware (i.e., defense articles), Raytheon violated the terms and conditions of that approval by the export of defense articles to Canada (specifically, crew box assemblies and miscellaneous crew box items).

CHARGES 8-11

In causing the unauthorized exports of the defense articles associated with charges 4-7, Raytheon misrepresented on shipping documents in certain instances, or by omission in other instances, the applicability of § 126.5 of the ITAR to the unauthorized exports referred to in charges 4-7 and, in so doing, violated the provisions of § 127.2 of the ITAR pertaining to the misrepresentation of facts in any export control document.

ADMINISTRATIVE PROCEDURES

In accordance with 22 C.F.R. 128, administrative proceedings are instituted against Raytheon for the purpose of obtaining an Order imposing civil administrative sanctions that may include the imposition of debarment or civil penalties. The Assistant Secretary for Political-Military Affairs shall determine the appropriate period of debarment, which shall generally be for a period of three years in accordance with 22 C.F.R.

127.7. Civil penalties, not to exceed \$500,000 per violation, may be imposed in accordance with 22 C.F.R. 127.10.

A respondent has certain rights in such proceedings as described in Part 128, a copy of which I am enclosing. Furthermore, pursuant to 22 C.F.R. 128.11, cases may be settled through consent agreements, including prior to service of a charging letter.

Please be advised that the U.S. Government is free to pursue civil, administrative, and/or criminal enforcement for violations of the Arms Export Control Act and the International Traffic in Arms Regulations. The Department of State's decision to pursue one type of enforcement action does not preclude it or any other department or agency of the United States from pursuing another type of enforcement action.

Sincerely,

William J. Lowell
Director

Enclosure:
22 C.F.R. 127