DRAFT CHARGING LETTER

Mr. Christopher C. Cambria
General Counsel
L-3 Communications Corporation
600 Third Avenue
New York, NY 10016

Dear Mr. Cambria:

The Department of State ("Department") charges that Respondent L-3 Communications Corporation[1] ("L-3"), including its subsidiary L-3 Communications Titan Corporation ("Titan") violated the International Traffic in Arms Regulations (the "Regulations") (22 CFR Parts 120-130), promulgated pursuant to Sections 38 and 39 of the Arms Export Control Act(22 U.S.C. 2778) (the "Act"), as described below. At this time, six (6) violations are charged. The Department reserves the right to amend this charging letter, which may include specifying additional violations (see Section 128.3 of the Regulations).

PART I – RELEVANT FACTS

Jurisdictional Requirements

(1) L-3 is a corporation organized under the laws of the State of Delaware. It is engaged in the business of manufacturing and exporting defense articles and providing defense services and is registered with the Directorate of Defense Trade Controls ("DDTC")[2] pursuant to Part 122 of the Regulations.

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[1] The violations arose prior to L-3's acquisition of Titan Corporation. L-3 is named as the Respondent as the successor to Titan for the purpose of assessing civil liability and other compliance remedies.
[2] The Office of Defense Trade Controls was realigned and renamed the Directorate of Defense Trade Controls in early 2003.

(2) Titan is a corporation organized under the laws of the State of Delaware. During the period relevant to the violations alleged herein, Titan was engaged in the manufacture and export of defense articles and defense services and was registered with the DDTC pursuant to Part 122 of the Regulations. Titan was acquired by L-3 on July 29, 2005, and became a wholly owned subsidiary of L-3 and is now covered by L-3's registration pursuant to Part 122 of the Regulations. L-3 is responsible for Titan's previous violations of the AECA and ITAR as successor.

(3) L-3 and Titan are U.S. persons within the meaning of Section 120.15 of the Regulations and, as such, are subject to the jurisdiction of the United States, in particular with regard to the Act and the Regulations.

Violations of the Foreign Corrupt Practices Act

(4) On March 1, 2005, Titan Corporation pleaded guilty to a three-count Information charging it with violations of the anti-bribery, internal controls and books and records provisions of the Foreign Corrupt Practices Act of 1997 ("FCPA") as incorporated into various federal securities laws (U.S. District Court for the Southern District of California, Case No. 05-CR-0314). Honorable Roger T. Benitez, United States District Court Judge, sentenced Titan to pay a criminal fine of $13,000,000 and probation for a term of 3 years. As a condition of probation, Judge Benitez ordered Titan to institute a strict compliance program and internal controls designed to prevent future FCPA violations.

(5) Titan's conviction stemmed from its corrupt payment of more than $2 million, through an agent in the Republic of Benin, towards the election campaign of Benin's then-incumbent President. Titan had embarked on a project with Benin to build and operate a wireless telephone network in that country. Part of Titan's compensation for this project included a management fee worth millions of dollars. In order to secure and keep this business, Titan engaged the services of an agent who claimed to have close ties to the then-President of Benin. Titan agreed to pay millions of dollars to the Benin agent with the intent of supporting the then-incumbent President of Benin's reelection campaign, under the guise of making "social payments" towards the betterment of the people of Benin. At the request of Titan, the Benin agent submitted false invoices to Titan totaling over $2 million for these funds, and Titan paid the bribes to the Benin agent in several installments between January 2001 and May 2001.

As a consequence of its FCPA conviction, Titan has been generally ineligible under the Regulations and applications for licenses and other requests in which it is directly or indirectly involved are subject to a policy of denial (see Section 120.1(c) and 126.7(a) of the Regulations and Section 38(g)(4)(A) of the AECA).

(6) Also on March 1, 2005, the U.S. Securities and Exchange Commission ("SEC") filed a settled enforcement action against Titan charging violations based on the same conduct involved in the criminal case, plus other FCPA-related violations. As to certain of the other violations, the SEC's complaint charged that from 2000 to 2003, Titan falsified documents presented to DDTC. The offenses cited in the complaint involved false statements in license requests for the export of defense articles with respect to reports required by Part 130 of the Regulations on commissions paid to other persons who helped to secure the sales of those articles to Sri Lanka, France and Japan.

(7) Without admitting or denying the allegations in the SEC's complaint, Titan consented to the entry of a final judgment permanently enjoining it from future violations of the FCPA, requiring it to pay $15.479 million in disgorgement and prejudgment interest, plus a $13 million penalty (deemed satisfied by payment of separate criminal fines in that amount) and to retain an independent consultant to review the company's FCPA's compliance and procedures and to adopt and implement the consultant's recommendations.

(8) The SEC concluded that despite utilizing over 120 agents and consultants in over 60 countries, Titan never had a formal company-wide FCPA policy, disregarded or circumvented the limited FCPA policies and procedures in effect, failed to maintain sufficient due diligence files on its foreign agents, and failed to have meaningful oversight over its foreign agents.

False Statements to the DDTC

(9) As described more fully in the following paragraphs, from about June 2000 to about June 2003, Titan failed to report commissions as required by Part 130 of the Regulations in applications for exports of defense articles and made false statements in those applications that there were no reportable commissions.

(10) On June 22, 2000, Titan prepared a license application to export defense articles valued at about $2.5 million to Sri Lanka for the use of its armed forces. DDTC received the application on June 23, 2000, and approved the license on September 22, 2000 (DSP-5 license no. 798148). In its application, Titan falsely represented that it had not paid, offered or agreed to pay a commission of $100,000 or more in respect to the sale or export of these defense articles, when in fact it had paid a $1.2 million commission, nearly half the value of the sale to Access International (PVT), Ltd.

(11) On July 8, 2002, Titan prepared a license application to export defense articles valued at about $870,000 to France for the use of its armed forces. DDTC received the application on July 16, 2002 and approved the license on September 23, 2002 (DSP-5 license no. 859557). In its application, Titan falsely represented that it had not paid, offered or agreed to pay a commission of $100,000 or more in respect to the sale or export of these defense articles, when in fact it had paid a $109,000 commission on the sale to SurCom International BV.

(12) On April 17, 2003, Titan prepared a license application to export defense articles valued at about $7.4 million to Japan for the use of its armed forces. DDTC received the application on April 28, 2003 and approved the license on June 17, 2003 (DSP-5 license no. 888417). In its application, Titan falsely represented that it had not paid, offered or agreed to pay a commission of $100,000 or more in respect to the sale or export of these defense articles, when in fact it had paid a $958,000 commission on the sale to AstroDesign, Inc.

PART II - REGULATORY REQUIREMENTS

The following provisions of the Regulations adopted pursuant to Section 38 and 39 of the Act are relevant to the charges:

(13) Section 38 of the Act requires persons engaged in the business of manufacturing or exporting defense articles or providing defense services to register in accordance with the Regulations, and requires that the export of defense articles or defense services be in accordance with the Act and the Regulations.

(14) Section 39 of the Act requires that that the Secretary of State issue regulations requiring adequate and timely reporting on, *inter alia*, commissions and certain other payments offered or agreed to be paid in connection with commercial sales of defense articles and defense services licensed or approved under Section 38 of the Act.

(15) Section 127.1(d) of the Regulations provides that no person may willfully or knowingly cause, or aid, abet, counsel, demand, induce or permit the commission of any act prohibited by or the omission of any act required by Section 38 or any regulation, license, approval or order issued thereunder.

(16) Section 127.2 of the Regulations provides that it is unlawful to use any export control document (including an export license application) containing a false statement or misrepresenting or omitting a material fact for the purpose of exporting any defense article or technical data or the furnishing of any defense service for which a license or approval is required by the Regulation.

(17) Sections 130.9 and 130.10 of the Regulations require an applicant for a license or approval required by the Regulations for the export of defense articles or defense services valued at $500,000 or more that are being sold commercially to or for the use of the armed forces of a foreign country or international organization to report to DDTC information concerning commissions and fees in an aggregate amount of $100,000 or more paid, offered or agreed to be paid in respect of any sale. Section 130.9 further requires that an applicant which has informed DDTC under Part 130 that neither it nor its vendors have paid, or offered or agreed to pay political contributions or fees or commissions in an aggregate amount requiring the information specified in Section 130.10 to be furnished to subsequently furnish such information within 30 days after learning that it or its vendors had paid, or offered or agreed to pay political contributions or fees or commissions in respect of a sale in an aggregate amount which, if known to applicant at the time of its previous communication with DDTC, would have required the furnishing of information under Section 130.10 at that time.

PART III - THE CHARGES

As described more fully in paragraphs 1 through 16, the following violations are charged to Respondent:

Charges 1-3: False Statements in Export License Applications

(18) Respondent violated Sections 127.1(d) and 127.2 of the Regulations in three separate instances by falsely stating in applications for the export of defense articles that it had not paid, offered or agreed to pay a commission of $100,000 or more in respect to the sale or export of these defense articles, when, in fact, in each instance it had paid commissions in excess of that amount.

Charges 4-6: Failure to Report Information Concerning Commissions and Fees

(19) Respondent violated Sections 127.1(d), 130.9 and 130.10 of the Regulations by failing to report the information required on the payment of commissions or other fees in connection with three exports of defense articles.

PART IV - ADMINISTRATIVE PROCEEDINGS

(20) Pursuant to Part 128 of the Regulations, administrative proceedings are instituted against Respondent for the purpose of obtaining an Order imposing civil administrative sanctions that may include the imposition of debarment and/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 Section 127.7 of the Regulations, but in any event will continue until an application for reinstatement is submitted and approved. Civil penalties, not to exceed $500,000 per violation, may be imposed in accordance with Section 38(e) of the Act and Section 127.10 of the Regulations.

(21) A Respondent has certain rights in such proceedings as described in Part 128 of the Regulations. Currently, this is a draft charging letter; however, in the event you are served with a charging letter you are advised of the following matters. You are required to answer the charging letter within 30 days after service. A failure to answer will be taken as an admission of the truth of the charges. You are entitled to an oral hearing if a written demand for one is filed with the answer or within seven (7) days after service of the answer. You may, if so desired, be represented by counsel of your choosing. The answer, written demand for oral hearing (if any) and supporting evidence required by Section 128.5(b) shall be in the duplicate and mailed or delivered to Administrative Law Judge Docketing Center, U.S. Coast Guard, 40 South Gay Street, Room 412, Baltimore, MD 21202-4022. A copy shall be simultaneously mailed to the Director of the Office of Defense Trade Controls Compliance, 2401 E. Street, N.W., Washington, DC 20037. If you do not demand an oral hearing, you must transmit your answer within seven (7) days after the service. You must include the original or photocopies of all correspondence, papers, records, affidavits, and other documentary or written evidence having any bearing upon or connection with the matters at issue. Please be advised also that charging letters may be amended from time to time, upon reasonable notice. Furthermore, cases may be settled through a consent agreement, including any time after service of a draft charging letter.

(22) Be advised that the U.S. Government is free to pursue civil, administrative, and/or criminal enforcement for violations of the Act and the 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,

David C. Trimble
Director
Office of Defense Trade Controls Compliance