

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

_____))
In the Matter of:))
L-3 Communications Corporation))
Delaware))
Respondent))
_____)

CONSENT AGREEMENT

WHEREAS, the Office of Defense Trade Controls Compliance (“DTCC”), Directorate of Defense Trade Controls (“DDTC”), Bureau of Political-Military Affairs, U.S. Department of State (“Department”) has notified the Respondent L-3 Communications Corporation (“L-3”) of its intent to institute an administrative proceeding pursuant to the Arms Export Act (the “Act”) (22 U.S.C. 2778 (e)) and its implementing regulations, the International Traffic in Arms Regulations (“Regulations”) (22 CFR Parts 120-130), based on allegations of violations of Parts 127 and 130 of the Regulations arising from the failure of its subsidiary, Titan Corporation (“Titan”),¹ to report commissions in applications for exports of defense articles and Titan’s false statements in those applications that there were no reportable commissions, as set forth in a draft Charging Letter attached hereto and incorporated by reference herein;

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.

WHEREAS, the Respondent wishes to avoid the expense and business disruption of litigating the charges and, without admitting or denying the allegations in the draft Charging Letter, wishes to dispose of all civil charges, penalties and sanctions arising from the draft Charging Letter by entering into this Consent Agreement;

WHEREAS, the Respondent has reviewed the draft Charging Letter and this Consent Agreement, fully understands these documents and enters into this Agreement voluntarily and with full knowledge of its rights;

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

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

Parties

(1) The Parties to this Agreement are the Department and Respondent L-3 (including all of its operating divisions and subsidiaries and their assignees and successors).

Jurisdiction

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

Penalty

(3) Respondent agrees that it shall pay in fines and remedial compliance measures a civil penalty in the amount of \$1,500,000 (one million five hundred thousand dollars) in complete settlement of the alleged civil violations as set forth in the draft Charging Letter. Respondent agrees that the effect of any statutory limitation to the collection of the civil penalty

imposed by this Agreement be tolled until the last payment is made. The civil penalty shall consist of the following:

(A) A civil penalty of \$1,000,000 (one million dollars) is hereby assessed on Respondent. This amount shall be paid within 10 days after signing of the Order in the manner directed by the Department.

(B) A civil penalty of \$500,000 (five hundred thousand dollars) in remedial compliance measures is hereby assessed on Respondent. This amount shall be applied over the three (3) year period of this Consent Agreement for the purpose of defraying a portion of the costs associated with the remedial compliance measures specified herein.

The Respondent shall provide annually to the Department on the anniversary of the date of the Order a written accounting of the expenditures associated with paragraph 3(B) and certification that such expenditures meet the requirements of that paragraph.

The Respondent is prohibited from applying or claiming any of the amounts expended as penalties, including those for remedial compliance measures, under this paragraph as reimbursable or recoverable costs in any contract 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 Respondent violates 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 the Respondent that it has complied with this prohibition.

Any failure to apply funds appropriately for the required purposes or to provide a satisfactory accounting shall be deemed by the Department to be a failure to comply with the requirements of paragraph 3(B) and the Respondent shall be required immediately to pay to the Department the amount of the suspended portion of the penalty, less credits for amounts the Department deems to have been properly applied and accounted for as expenditures in compliance with this Agreement.

(4) As required under the Act and Regulations, Titan has been generally ineligible under the ITAR since its conviction on March 1, 2005 for

violating the Foreign Corrupt Practices Act ("FCPA"). The Department has determined that debarment of Respondent is not appropriate at this time in view of its acknowledgement of the seriousness of the violations alleged in the draft Charging Letter, its efforts to date to strengthen its compliance program as it applies to Titan, and its agreement to take additional, significant remedial actions as specified herein. For the same reasons, the Department has further determined to terminate its policy of denying applications for licenses and other requests for approval of proposed exports involving Titan; the termination will become effective upon payment of the portion of the civil penalty due within ten (10) days of the signing of the Order. At that time, the Department will resume normal review of and final action on all export license applications or other requests from or involving Titan.

(5) The Department reserves the right to consider imposing additional sanctions, including debarment under the Regulations, against Respondent (including any subsidiary or other business unit), if Respondent 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 specified in Section 120.27 of the Regulations.

Compliance Measures

(6) L-3, reflecting its commitment to conduct its business in full compliance with the Act and the Regulations, and in order to ensure, in particular, that all fees or commissions are reported to DDTC as required by Part 130 of the Regulations, agrees to implement the following remedial measures and such additional measures as may be mutually agreed upon by L-3 and the Director, Office of Defense Trade Controls Compliance (DTCC). The measures will be in effect for a period of three (3) years, except where otherwise noted, and formal closure shall necessitate a letter from DTCC documenting the conclusion of this Agreement.

(7) Within six (6) months of signing the order, L-3 shall institute strengthened overall export compliance policies, procedures and training, focusing primarily on Titan and those other L-3 entities that consist of any assets or personnel associated with Titan. The Respondent shall be required to address the following areas:

- Fees and commissions (Part 130 of the ITAR);
- Brokering requirements (Part 129 of the ITAR);
- Use of exemptions under the ITAR;
- Role and independent authority of Empowered Official;
- Fines and penalties under the AECA and the ITAR.

Respondent will provide the Director, DTCC, with its updated procedures and training materials reflecting these changes.

(8) Within thirty (30) days of signing the Order, L-3 shall hire, with the concurrence of the Director, DTCC, an outside individual or firm to serve as a consultant to help L-3 examine and provide recommendations to improve the company's Part 130 policies and procedures.

(9) Within nine (9) months of signing the Order, L-3 shall submit its revised Part 130 policies and procedures to the Director, DTCC, for review and comments.

Audits

(10) Within twelve (12) months of signing the Order, and after submission of its revised Part 130 policies and procedures, L-3 shall retain an outside firm to conduct a thorough audit of L-3's Part 130 compliance policies, procedures and implementation of the Consent Agreement with particular focus on the requirements set forth in paragraph 7 above. A draft audit plan shall be submitted to the Director, DTCC, for review and comments prior to the start of the audit.

(11) Within eighteen (18) months but no later than the second anniversary of the signing of the Order, the outside firm that conducted the aforementioned audit and assessment of L-3's Part 130 compliance program, shall prepare a

report outlining the audit findings, and any recommendations for improvements. L-3 shall ensure that "lessons learned" from the audit are shared company-wide and recommendations resulting from the audit are implemented throughout L-3.

(12) For the purpose of assessing compliance with the provisions of the Act, the Regulations and future munitions licenses and authorizations, L-3 agrees to arrange and facilitate, with minimum advance notice, on-site audits of its business units, wherever situated, by the Department for three (3) years commencing on the signing of the Order, of itself, its direct and indirect subsidiaries, and other affiliates covered by L-3's registration under the regulations.

Legal Oversight

(13) The International Licensing Group ("ILG") of L-3 reports through the Senior Vice President, Washington Operations to the Senior Vice President and General Counsel on export/import compliance issues. Within thirty (30) days of signing the Order, L-3 will ensure that communication is distributed across the company to remind Titan and all other L-3 business units that the General Counsel's Office provides oversight and support to ILG and to all of its other business units of the L-3 organization for all matters involving the Act and Regulations. The Senior Vice President and General Counsel will reconfirm to DDTC that this oversight is structured to achieve consistent application of the Act and Regulations by Titan (as well as all other L-3) personnel.

Understandings

(14) No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Consent 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. Respondent acknowledges and accepts that there is no understanding expressed or implied through this Agreement with respect to any 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 Respondent's adherence to the terms of this Agreement, that decisions concerning future export license applications for the Respondent will be made on the basis of the 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 Respondent's reliability, which concerns are considered to be appropriately mitigated through the faithful operation of this Agreement.

(15) The Department and Respondent agree that this Consent Agreement is for settlement purposes only. For purposes of this Agreement, Respondent neither admits nor denies the allegations in the draft Charging Letter. Respondent acknowledges the nature and seriousness of the offenses alleged by the Department in the draft Charging Letter, including the risk of harm to the national security and foreign policy interests of the United States, and wishes to resolve this matter by undertaking the obligations set forth in this Consent Agreement, including payment of a cash penalty and establishment of an effective corporate compliance program that will 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 Respondent agree that they may not use this Agreement in any administrative or judicial proceeding and that neither the Department nor Respondent shall be bound by the settlement terms contained in this Agreement in any subsequent administrative or judicial proceeding.

(16) The Department agrees that, upon signing of the Order and entry into force of this Agreement, this Agreement resolves with respect to Respondent any civil penalties or sanctions imposed with respect to violations alleged in the draft Charging Letter or arising from facts that have been identified in the draft Charging Letter.

Waiver

(17) Respondent agrees that, upon signing of the Order and entry into force of this Consent Agreement, it waives all rights to any further procedural

steps in this matter, including an administrative hearing pursuant to Part 128 of the Regulations (except with respect to any alleged violations of this Consent Agreement or Order). Respondent also waives all rights to seek administrative or judicial review or to otherwise contest the validity of this Consent Agreement or the Order, including any action that may be brought for the enforcement of any civil fine, penalty or forfeiture in connection with this Consent Agreement or Order.

Costs Counted Toward Penalty for Remedial Measures

(18) L-3's costs associated with increasing in-house export control personnel associated with additional export compliance enhancements pertaining to Titan as required for this Consent Agreement, including auditor(s) and attorney(s), L-3's export compliance manual, internal web site, and other export control compliance procedures and documents, as well as consultants and experts from outside L-3 to support the above described activities may be counted toward the penalty imposed under paragraph 3(B) of the Consent Agreement.

Certifications

(19) At the second year anniversary and the conclusion of the three (3) year term of this Consent Agreement, the General Counsel for L-3 shall submit to the Director, DTCC a written certification that all compliance measures set forth in the Consent Agreement have been implemented and that he has assessed L-3's current ITAR compliance program and attest that it is adequate to identify, prevent, detect, correct and report violations of the AECA and the ITAR. Such certifications shall specifically address compliance with the reporting requirements set forth in Part 130 of the ITAR.

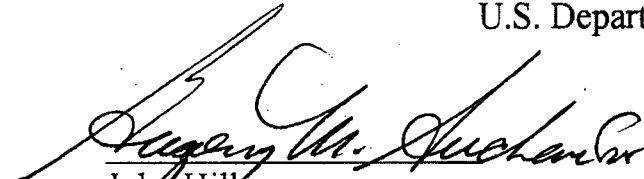
Documents to be Made Public

(20) Respondent understands that the Department will make this Agreement, including the Annexes of Compliance Measures, the draft Charging Letter, and the Order, when entered, available to the public.

When Order Becomes Effective

(21) 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 full administrative hearing on the record.

U.S. Department of State

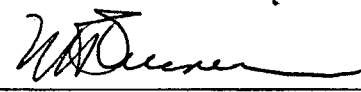


John Hillen
Assistant Secretary of State
for Political-Military Affairs

10/18/06

Date


L-3 Communications Corporation



Michael T. Strianese
Interim Chief Executive Officer

10/12/06

Date



Christopher C. Cambria
Senior Vice President & General Counsel

10/12/2006

Date