

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

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| _____                       | ) |
| In the Matter of:           | ) |
|                             | ) |
| LOCKHEED MARTIN CORPORATION | ) |
| Maryland                    | ) |
|                             | ) |
| Respondent                  | ) |
| _____                       | ) |

CONSENT AGREEMENT

This Agreement is made by and between Lockheed Martin Corporation (and its successors) (hereafter, "Lockheed Martin") and the United States Department of State (the "Department"), pursuant to § 128 of the International Traffic in Arms Regulations (22 C.F.R. Parts 120-130) (the "Regulations").

WHEREAS, the Office of Defense Trade Controls (ODTC), Bureau of Political-Military Affairs, United States Department of State, has notified Lockheed Martin of the institution of an administrative proceeding pursuant to Section 38(e) of the Arms Export Control Act (the "Act") (22 U.S.C. § 2778 (e)) and § 128.3 of the Regulations, based on allegations that Lockheed Martin violated Section 38 of the Act (22 U.S.C. § 2778) and § 126 and § 127 of the Regulations as set forth in the Charging Letter of April 4, 2000, attached hereto and incorporated by reference herein, by exporting defense articles, specifically, technical data designated on the United States Munitions List (22 C.F.R. § 121) and related defense services without the required approvals by the Department; by exporting defense articles and defense services in violation of the terms or conditions of other approvals that were provided by the Department; by making proposals for the transfer of defense services in violation of the Regulations; and, by omitting material facts from export license applications.

WHEREAS, Lockheed Martin has reviewed the Charging Letter and fully understands it and this Agreement, and enters into

this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, Lockheed Martin wishes to settle and dispose of all civil charges pursuant to Section 38 identified in the Charging Letter by entering into this Consent Agreement; and

WHEREAS, the Department and Lockheed Martin 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 Lockheed Martin agree as follows:

#### Parties

(1) The Parties to this Agreement are the Department and Lockheed Martin Corporation. The term "Lockheed Martin" includes Lockheed Martin Corporation, its wholly owned subsidiaries, including, in particular, its business units engaged in the manufacture or export of space and missile-related articles or services controlled on the United States Munitions List (which units are currently organized as Lockheed Martin Space Systems Company, including the former Martin Marietta Astro Space), its operating divisions, subsidiaries, assignees and successors.

#### Jurisdiction

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

#### Remedial Compliance and Monitoring Measures

(3) Lockheed Martin agrees that it will institute the remedial compliance and monitoring measures described in the Annex hereto; that it will complete these measures within the timeframes established in the Annex; and, and that it will effect the changes and procedures, and provide the assurances described, in the Annex, in order to ensure comprehensive, continuous oversight and responsibility by Lockheed Martin's Office of General Counsel and its Board of Directors over the totality of compliance with the Act and the Regulations in Lockheed Martin's space and missile-related programs; and to provide the United States Government with additional means to monitor and verify activities subject to the Act and the Regulations.

Penalty

(4) Lockheed agrees that it shall pay the Department a civil penalty of \$8,000,000 (eight million dollars) in complete settlement of alleged civil violations pursuant to Section 38 of the Act as set forth in the Department's Charging Letter of April 4, 2000. Lockheed Martin shall pay to the Department of State \$1,500,000 (one million five hundred thousand dollars) within 10 days of the signing of the Order, and \$6,500,000 (six million five hundred thousand dollars) in annual installments of \$1,500,000 (one million five hundred thousand dollars) for three years and \$2,000,000 (two million dollars) in year four, due each year on the anniversary of the signing of the Order.

(5) An additional civil penalty of \$5,000,000 (five million dollars) is hereby assessed, but its payment shall be suspended on the condition that Lockheed Martin will apply this amount over a four-year period to pay the costs of the remedial compliance and monitoring measures specified in the Annex. Lockheed Martin will provide to the Department each year on the anniversary of the Order a written accounting of the expenditures associated with this additional penalty, and failure to use these funds appropriately for this purpose or to provide a satisfactory accounting shall result in a lifting of the suspension, in which case Lockheed Martin shall be required to pay this amount to the Department of State.

Miscellaneous

(6) Lockheed Martin understands that the Department will make the Charging Letter, this Consent Agreement, and the relevant Order, when entered, available to the public.

(7) For the purpose of assessing compliance with the provisions of the Act and Regulations, Lockheed Martin agrees to arrange and facilitate, with little or no advance notice, on-site audits of its space and missile-related business units, currently organized as the Space Systems Company, wherever situated, by the Department during a four-year period commencing on the signing of the Order or until Lockheed Martin has made all payments to the Department required under this Agreement, whichever is later.

(8) The Department and Lockheed Martin agree that this Consent Agreement is for settlement purposes only. Lockheed Martin neither admits nor denies the allegations in the Charging Letter. If this Consent Agreement is not approved pursuant to an Order entered by the Assistant Secretary for Political-Military Affairs, the Department and Lockheed Martin agree that they may not use this Consent Agreement in any administrative or

judicial proceeding and that neither party shall be bound by the settlement terms contained in this Consent Agreement in any subsequent administrative or judicial proceeding.

(9) No agreement, understanding, representation or interpretation not contained in this Consent Agreement may be used to vary or otherwise affect the terms of this Consent Agreement or the Order, when entered, nor shall this Consent Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government.

(10) Lockheed Martin acknowledges and accepts the following conditions of this Consent Agreement: (a) Notwithstanding this settlement and Lockheed Martin's payment of the civil penalties specified herein, the United States is free to pursue criminal investigations and/or prosecutions based on the same conduct that gave rise to those penalties; (b) The Department may at its sole discretion refer this matter and any information or evidence it has regarding this matter to any person or entity having criminal jurisdiction; and (c) Lockheed Martin waives any claim that this settlement, or Lockheed Martin's payment of the civil penalties specified herein, bars or precludes any criminal enforcement on the ground of double jeopardy or otherwise.

(11) The Department agrees that, upon entry into force of the Order, this Agreement resolves any civil penalties with respect to possible violations of section 38 of the Act or the Regulations set forth in the Charging Letter.

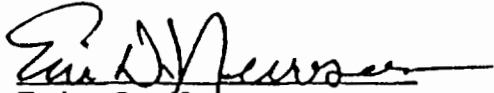
(12) The Department has determined that debarment is not appropriate at this time, but reserves the right to consider imposing additional sanctions, including debarment, in the event that Lockheed Martin for any reason does not fulfill the provisions of this Consent Agreement or is responsible for other compliance or law enforcement concerns under the Act or other statutes specified in 22 C.F.R. § 120.27.

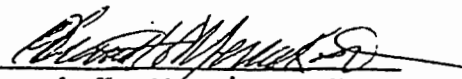
(13) Lockheed Martin agrees that, upon entry into force of the Order, it waives all rights to further procedural steps in the matter, including an administrative hearing pursuant to § 128 of the Regulations (except with respect to any alleged violations of this Agreement). Lockheed Martin also waives all rights to seek administrative or judicial review or to otherwise contest the validity of the Agreement or the Order, including in any action that may be brought for the enforcement of any civil fine, penalty or forfeiture in connection with the Agreement or Order.

(14) 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 after a full administrative hearing on the record.

U.S. DEPARTMENT OF STATE

LOCKHEED MARTIN CORPORATION

By:   
Eric D. Newsom  
Assistant Secretary  
Bureau of Political-Military  
Affairs  
Department of State

By:   
Frank H. Menaker, Jr.  
Senior Vice President  
and General Counsel  
Lockheed Martin Corporation

ANNEX

Lockheed Martin Corporation, reflecting its commitment to conduct its space and missile-related programs 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, in particular, that there is no unauthorized technical assistance whatsoever to any foreign person, including any of its foreign partners, that would assist in the design, development or enhancement of foreign space launch vehicles, missiles or facilities, agrees to implement the following remedial measures, and agrees further that these measures will be honored for a four-year period as part of the Consent Agreement entered into with the Department of State:

Strengthened Compliance Training

- (1) Within 120 days of the signing of the Order, Lockheed Martin will have instituted strengthened export compliance procedures such that: (a) all employees of business units engaged in space or missile-related activities (currently organized as the Space Systems Company) are familiar with the Act, the Regulations, and their own and the Corporation's responsibilities, thereunder; and (b) all officers and employees at the corporate level in these business units (currently organized as the Space Systems Company) are knowledgeable about the underlying policies and principles of the Act and the Regulations.

Computer Control System and USG Remote Monitoring

- (2) Within 240 days of the signing of the Order, Lockheed Martin will have instituted a comprehensive computerized document control system that ensures prior U.S. Government review pursuant to the terms and conditions of licenses and other approvals provided by the Department (ODTC) to Lockheed Martin concerning its space and missile-related activities of the business units currently organized as the Space Systems Company. This system will cover all technical data and technical assistance in any form to all foreign persons and will be accessible by remote computer access to ODTC, DTRA/TP, and Lockheed Martin's General Counsel's Office. Lockheed Martin will archive all releases, indexed to reflect the details of specific U.S.

Government approvals, every 90 days, and provide copies in CD-ROM form to ODTIC and DTRA/TP. Lockheed Martin understands that ODTIC may, at its sole discretion, not authorize use of exemptions for shipments of unclassified technical data in furtherance of a technical assistance agreement pending the institution of this system, as stated in the Federal Register, Vol. 64, No. 54, on March 22, 1999.

#### Law Department Oversight

- (3) Within 120 days of the signing of the Order, Lockheed Martin will restructure the reporting relationships of its business units (including, in particular, export compliance and security staff) involved in space and missile-related export activities (currently organized as Space Systems Company) such that the General Counsel's office will have direct oversight for all matters involving the Act and the Regulations. This oversight will also provide that the General Counsel's office is a full participant in performance reviews of the principal personnel responsible for compliance with the Act and the Regulations.

#### Hotline for AECA and ITAR

- (4) Within 120 days of the signing of the Order, Lockheed Martin will have instituted a program to broaden its existing hotline systems for ethics/professional responsibility in order to ensure appropriate emphasis is provided to employee reporting of AECA and ITAR violations via this channel, without fear of recrimination or retaliation. The Lockheed Martin Corporation's General Counsel's office will promptly (i.e., within 30 days) provide the Department (ODTC) with a written summary of all such reports and the steps taken by Lockheed Martin to respond. This written summary 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 violation(s), without disclosing employee confidentiality where confidentiality has been requested.

#### New Procedures for Acquisitions

- (5) Within 120 days of such acquisition, Lockheed Martin will ensure that an audit is conducted of the unit(s) to ensure

compliance with the Act and the Regulations, and will report in writing all violations detected promptly to the Department (ODTC).

#### Role of Board of Directors

- (6) Within 30 days of the signing of the Order, Lockheed Martin's Board of Directors will be briefed on the details of this Consent Agreement and progress made to implement the remedial measures being instituted as part of the Agreement. Within 180 days of the signing of the Order, the Board of Directors will provide an affidavit, through one of its members, to the Department (ODTC) certifying that the measures set forth in paragraphs 1-5, above, have been implemented fully. Thereafter, Lockheed Martin will provide periodic briefings to the Board on the status of the Space Systems Company's compliance with the Act and the Regulations.

#### Outside Audit

- (7) No later than the first anniversary of the signing of the Order, Lockheed Martin will retain an outside auditing firm acceptable to the Department to conduct a thorough assessment of Lockheed Martin's implementation of the measures set forth in paragraphs 1-6, above, with a draft audit plan to be submitted for the Department's (ODTC) review and comments prior to the start of the audit and, thereafter, a written report containing recommendations for improvements with respect to the aforesaid measures or compliance with the Act and Regulations more generally, to be submitted to the General Counsel and to the Department no later than the second anniversary of the signing of the Order.