

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

In the Matter of:)
RAYTHEON COMPANY)
Massachusetts)
Respondent)

CONSENT AGREEMENT

This Agreement is made by and between the Raytheon Company ("Raytheon") and the United States Department of State ("Department"), pursuant to section 128.11(b) 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 Raytheon of its intention to initiate an administrative proceeding against Raytheon 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 Raytheon violated section 38 of the Act (22 U.S.C. § 2778) and § 127.2 of the Regulations, as set forth in the proposed Charging Letter of October 26, 1999, attached hereto and incorporated by reference herein, by exporting defense articles and technical data covered by the U.S. Munitions List (22 C.F.R. § 121) without the required approvals from the Department, and by exporting defense articles in violation of the terms and conditions of approvals that were provided by the Department.

WHEREAS, Raytheon has reviewed the proposed Charging Letter and fully understands it and this Agreement, and enters into this Agreement voluntarily and with full knowledge of its rights;

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

WHEREAS, Raytheon provided to the Department voluntary disclosures dated June 18 and July 6, 1999 regarding violations pertaining to the T-6A-Canada program;

WHEREAS, the Department and Raytheon agree to be bound by this Agreement and a related administrative order ("Order") (attached) to be entered by the Assistant Secretary for Political-Military Affairs;

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

Parties

(1) The Parties to this Agreement are the Department and the Raytheon Company. The term "Raytheon" includes the Raytheon Company, its wholly owned subsidiaries, including in particular Raytheon Aircraft Company (RAC), its operating divisions, subsidiaries, assignees and successors.

Jurisdiction

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

Compliance Restructuring and Monitoring

(3) Raytheon agrees that in order to prevent recurrence of violations of the Act or Regulations it will institute a compliance restructuring of the totality of Raytheon Aircraft Company's T-6A-Canada program, which will be completed within

30 days of the signing of this Order, and that such compliance restructuring will be under the direct supervision of Raytheon's General Counsel for all purposes related to the Act and the Regulations for so long as the subject program remains in effect.

Penalty

(4) Raytheon agrees that it shall pay the Department a civil penalty of \$500,000, (five hundred thousand dollars) in complete settlement of alleged civil violations of the Act or Regulations set forth in the Department's proposed charging letter. Raytheon shall pay \$500,000 (five hundred thousand dollars) within 10 days of the signing of the relevant Order.

(5) An additional penalty of \$50,000 (fifty thousand dollars) is hereby assessed but its payment shall be suspended. This represents an amount Raytheon will apply over a 12 month period to pay the costs of a compliance audit conducted by an external firm that is acceptable to the Department. Raytheon will provide to the Department after one year on the anniversary of the Order a written accounting of the expenditures associated with this additional penalty.

Miscellaneous

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

(7) For the purposes of assessing compliance with the provisions of the Act and Regulations, Raytheon agrees to arrange and facilitate, with minimum advance notice, on-site audits of its JPATS program, wherever situated, by the Department during a three-year period commencing on the signing of the Order.

(8) The Department and Raytheon agree that this Consent Agreement is for settlement purposes only. Raytheon neither admits nor denies the allegations in the proposed Charging Letter. If this Consent Agreement is not approved, and the

Order is not entered by the Assistant Secretary for Political-Military Affairs, the Department and Raytheon 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 with respect to the facts and circumstances addressed herein.

(10) Raytheon acknowledges and accepts the following conditions of this Consent Agreement: (a) Notwithstanding this settlement and Raytheon's payment of the administrative 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) Raytheon waives any claim that this settlement, or Raytheon's payment of the administrative penalties specified herein, bars or precludes any criminal enforcement on the ground of double jeopardy or otherwise as a result of this settlement and payment of administrative penalties.

(11) The Department agrees that this Agreement resolves any civil penalties, through the date of signing of the Order, with respect to that information pertaining to possible violations of section 38 of the Act or the Regulations which Raytheon has disclosed in writing to the Department in letters dated June 18 and July 6, 1999.

(12) The Department has determined that debarment is not appropriate at this time, but reserves the right to consider imposing additional civil administrative sanctions, including

debarment, in the event that Raytheon fails to fulfill the requirements 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) Raytheon 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).

(14) This Consent Agreement shall become binding on the Department only when the Assistant Secretary of 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

THE RAYTHEON COMPANY

By: Eric D. Newsom
Eric D. Newsom
Assistant Secretary for
Political-Military Affairs
Department of State
Authorized Representative

By: Thomas D. Hyde
Thomas D. Hyde
Senior Vice President and
General Counsel
Raytheon Company
Authorized Representative

OCT 28 1999
(Date)

27 October 1999
(Date)