

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

L-3 Communications Corporation
600 Third Avenue
New York, New York 10016

*Attn: Christopher C. Cambria
Senior Vice President, Secretary and General Counsel*

Dear Mr. Cambria:

The Bureau of Industry and Security, United States Department of Commerce (“BIS”), has reason to believe that L-3 Communications Corporation, of New York, New York (“L-3”), has committed four violations of the Export Administration Regulations (the “Regulations”)¹ issued under the authority of the Export Administration Act of 1979 (the “Act”).² Specifically, BIS charges that L-3 committed the following violations:

Charge 1 15 C.F.R. § 764.2(a) - Exporting a Mobile Cargo X-Ray System to The Netherlands Without the Required Department of Commerce License

On or about November 2, 2002, L-3 engaged in conduct prohibited by the Regulations by exporting a mobile cargo x-ray system, an item subject to the Regulations (ECCN 3A101),³ to The Netherlands without obtaining the U.S. Department of Commerce license required by

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2005). The charged violations occurred in 2002. The Regulations governing the violations at issue are found in the 2002 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2002)). The 2005 Regulations establish the procedures that apply to this matter.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508 (114 Stat. 2360 (2000)) and it remained in effect through August 20, 2001. Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 6, 2004, (69 *Fed. Reg.* 48763 (August 10, 2004)), continues the Regulations in effect under the IEEPA.

³ The term “ECCN” refers to an Export Control Classification Number. *See* Supp. 1 to 15 C.F.R. § 774.

Section 742.5 of the Regulations. In so doing so, L-3 committed one violation of Section 764.2(a) of the Regulations.

Charge 2 15 C.F.R. § 764.2(g) - Forwarding an Item With Knowledge a Violation of the Regulations Would Occur

On or about November 2, 2002, L-3 forwarded the mobile cargo x-ray system referenced in Charge One above with knowledge that a violation of the Regulations would occur. Specifically, L-3 forwarded the mobile cargo x-ray system to The Netherlands when L-3 knew or had reason to know that the required U.S. Department of Commerce license would not be obtained. In so doing, L-3 committed one violation of Section 764.2(e) of the Regulations.

Charge 3 15 C.F.R. § 764.2(g) - False Statement on a Shipper's Export Declaration Concerning Authority to Export

On or about November 2, 2002, in connection with the export referenced in Charge One above, L-3 filed or caused to be filed a Shipper's Export Declaration with the U.S. government that stated the mobile cargo x-ray system qualified for export from the United States as NLR ("No License Required"). This statement was false because, as described in Charge One above, a U.S. Department of Commerce license was required to export this item to The Netherlands. In so doing, L-3 committed one violation of Section 764.2(g) of the Regulations.

Charge 4 15 C.F.R. § 764.2(g) - False Statement on a Shipper's Export Declaration Concerning Authority to Export

On or about November 2, 2002, in connection with the export referenced in Charge One above, L-3 filed or caused to be filed a Shipper's Export Declaration with the U.S. government that stated the ECCN for the mobile cargo x-ray system was 2A993. This statement was false because, as described in Charge One above, the correct ECCN for the mobile cargo x-ray system was 3A101. In so doing, L-3 committed one violation of Section 764.2(g) of the Regulations.

Accordingly, L-3 is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of \$11,000 per violation;⁴

Denial of export privileges; and/or

Exclusion from practice before BIS.

If L-3 fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. *See* 15 C.F.R. §§ 766.6 and 766.7. If L-3 defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to L-3. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each of the charges in this letter.

L-3 is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with its answer. *See* 15 C.F.R. § 766.6. L-3 is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. *See* 15 C.F.R. §§ 766.3(a) and 766.4.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should L-3 have a proposal to settle this case, L-3 or its representative should transmit it to the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, L-3's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

In addition, a copy of L-3's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: David C. Recker
Room H-3839
United States Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

⁴ *See* 15 C.F.R. § 6.4(a)(2).

L-3 Communications Corporation
Proposed Charging Letter
Page 4 of 4

David C. Recker is the attorney representing BIS in this case; any communications that L-3 may wish to have concerning this matter should occur through him. Mr. Recker may be contacted by telephone at (202) 482-5301.

Sincerely,

Michael D. Turner
Director
Office of Export Enforcement

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

_____))
In the Matter of:))
))
L-3 Communications Corporation))
600 Third Avenue))
New York, New York 10016,))
))
Respondent.))
_____)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Respondent, L-3 Communications Corporation (“L-3”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively referred to as “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2004)) (“Regulations”),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),²

¹ The charged violations occurred in 2002. The Regulations governing the violations at issue are found in the 2002 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2002)). The 2004 Regulations establish the procedures that apply to this matter.

² Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 6, 2004 (69 *Fed. Reg.* 48763 (August 10, 2004)), has continued the Regulations in effect under the IEEPA.

WHEREAS, L-3 filed a voluntary self-disclosure with BIS's Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning the transactions at issue herein;

WHEREAS, BIS has notified L-3 of its intention to initiate an administrative proceeding against L-3, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to L-3 that alleged that L-3 committed four violations of the Regulations, specifically:

1. *One Violation of 15 C.F.R. § 764.2(a) - Exporting a Mobile Cargo X-Ray System to The Netherlands Without the Required Department of Commerce License:* On or about November 2, 2002, L-3 engaged in conduct prohibited by the Regulations by exporting a mobile cargo x-ray system, an item subject to the Regulations (ECCN 3A101),³ to The Netherlands without obtaining the U.S. Department of Commerce license required by Section 742.5 of the Regulations.
2. *One Violation of 15 C.F.R. § 764.2(g) - Forwarding an Item With Knowledge a Violation of the Regulations Would Occur:* On or about November 2, 2002, L-3 forwarded the mobile cargo x-ray system referenced in Paragraph One above with knowledge that a violation of the Regulations would occur. Specifically, L-3 forwarded the mobile cargo x-ray system to The Netherlands when L-3 knew or

³ The term "ECCN" refers to an Export Control Classification Number. See Supp. 1 to 15 C.F.R. § 774.

had reason to know that the required U.S. Department of Commerce license would not be obtained.

3. *One Violation of 15 C.F.R. § 764.2(g) - False Statement on a Shipper's Export Declaration Concerning Authority to Export:* On or about November 2, 2002, in connection with the export referenced in Paragraph One above, L-3 filed or caused to be filed a Shipper's Export Declaration with the U.S. government that stated the mobile cargo x-ray system qualified for export from the United States as NLR ("No License Required"). This statement was false because, as described in Paragraph One above, a U.S. Department of Commerce license was required to export this item to The Netherlands.
4. *One Violation of 15 C.F.R. § 764.2(g) - False Statement on a Shipper's Export Declaration Concerning Authority to Export:* On or about November 2, 2002, in connection with the export referenced in Paragraph One above, L-3 filed or caused to be filed a Shipper's Export Declaration with the U.S. government that stated the ECCN for the mobile cargo x-ray system was 2A993. This statement was false because, as described in Paragraph One above, the correct ECCN for the mobile cargo x-ray system was 3A101.

WHEREAS, L-3 has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true;

WHEREAS, L-3 fully understands the terms of this Agreement and the Order (“Order”) that the Assistant Secretary of Commerce for Export Enforcement will issue if she approves this Agreement as the final resolution of this matter;

WHEREAS, L-3 enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, L-3 states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, L-3 neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, L-3 wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, L-3 agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over L-3, under the Regulations, in connection with the matters alleged in the proposed charging letter.

2. The following sanctions shall be imposed against L-3 in complete settlement of the violations of the Regulations relating to the transactions specifically detailed in the voluntary self-disclosure and proposed charging letter:

- a. L-3 shall be assessed a civil penalty in the amount of \$33,000 which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order;

- b. The timely payment of the civil penalty agreed to in paragraph 2.a. is hereby made a condition to the granting, restoration, or continuing validity of any export license, License Exception, permission, or privilege granted, or to be granted, to L-3. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of L-3's export privileges for a period of one year from the date of imposition of the penalty.
- c. L-3 shall conduct transaction-by-transaction based audits of all exports involving items subject to the Regulations that occurred during the time period of January 1, 2005 through December 31, 2005 for each of the following L-3 companies:
- (i) L-3 Communications Corporation - Aviation Recorders Division, 6000 Fruitville Road, Sarasota, Florida, 34232;
 - (ii) L-3 Communications Aydin Corporation - Global Network Solutions Division, 1519 Grundy's Lane, Bristol, Pennsylvania, 19007;
 - (iii) L-3 Communications Klein Associates, Inc., 11 Klein Drive, Salem New Hampshire, 03079;
 - (iv) Ship Analytics, 183 Providence - New London Turnpike, New Stonington, Connecticut, 06359;
 - (v) L-3 Communications Corporation - Narda Microwave - East Division, 435 Moreland Road, Hauppauge, New York, 11788;
 - (vi) L-3 Communications Corporation - Narda Microwave - West Division, 107 Woodmere Road, Folsom, California, 95630;

(vii) L-3 Communications Security and Detection Systems, Inc., 10 Commerce Way,
Woburn, Massachusetts, 01801;

(viii) L-3 Communications Corporation - Telemetry West Division, 9020 Balboa Avenue,
San Diego, California, 92123.

A copy of each above-referenced audit shall be delivered to the Office of Export Enforcement, U.S. Department of Commerce, 381 Elden Street, Herndon, Virginia, 20170, not later than February 1, 2006.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, L-3 hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in the proposed charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; (c) request any relief from the Order, if entered, including without limitation relief from the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order, timely payment of the \$33,000 civil penalty, and submission of the audits described above, BIS will not initiate any further administrative proceeding against L-3 in connection with violations of the Act or the Regulations relating to the transactions specifically detailed in the voluntary self-disclosure and proposed charging letter.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

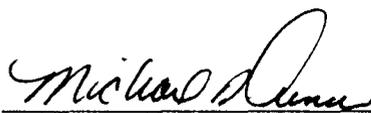
6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. government with respect to the facts and circumstances addressed herein.

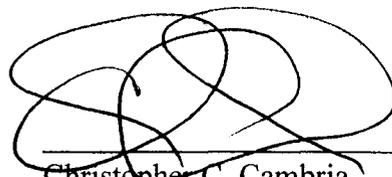
8. This Agreement shall become binding on BIS only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY L-3 COMMUNICATIONS CORPORATION
U.S. DEPARTMENT OF COMMERCE



Michael D. Turner
Director
Office of Export Enforcement



Christopher C. Cambria
Senior Vice President, Secretary,
and General Counsel

Date: 3/3/05

Date: 2/22/2005

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
)
L-3 Communications Corporation)
600 Third Avenue)
New York, New York 10016,)
)
Respondent.)
)

ORDER RELATING TO L-3 COMMUNICATIONS CORPORATION

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified L-3 Communications Corporation (“L-3”) of its intention to initiate an administrative proceeding against L-3 pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2004)) (“Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. App. §§ 2401-2420 (2000)) (“Act”),² by issuing a proposed charging letter to L-3 that alleged that L-3 committed four violations of the Regulations. Specifically, the charges are:

1. *One Violation of 15 C.F.R. § 764.2(a) - Exporting a Mobile Cargo X-Ray System to The Netherlands Without the Required Department of Commerce License: On or about November 2, 2002, L-3 engaged in conduct prohibited by the Regulations*

¹ The charged violations occurred in 2002. The Regulations governing the violations at issue are found in the 2002 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2002)). The 2004 Regulations set forth the procedures that apply to this matter.

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by exporting a mobile cargo x-ray system, an item subject to the Regulations (ECCN 3A101),³ to The Netherlands without obtaining the U.S. Department of Commerce license required by Section 742.5 of the Regulations.

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stated the ECCN for the mobile cargo x-ray system was 2A993. This statement was false because, as described in Paragraph One above, the correct ECCN for the mobile cargo x-ray system was 3A101.

WHEREAS, BIS and L-3 have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and

WHEREAS, I have approved the terms of the Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty of \$33,000 is assessed against L-3 which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order;

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, L-3 will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, License Exception, permission, or privilege granted, or to be granted, to L-3. Accordingly, if L-3 should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of L-3's export privileges for a period of one year from the date of entry of this Order.

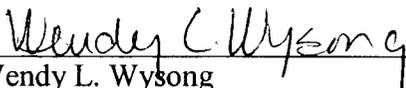
FOURTH, that L-3 shall conduct transaction-by-transaction based audits of all exports involving items subject to the Regulations that occurred during the time period of January 1, 2005 through December 31, 2005 for each of the following L-3 companies:

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- (iv) Ship Analytics, 183 Providence - New London Turnpike, New Stonington, Connecticut, 06359;
- (v) L-3 Communications Corporation - Narda Microwave - East Division, 435 Moreland Road, Hauppauge, New York, 11788;
- (vi) L-3 Communications Corporation - Narda Microwave - West Division, 107 Woodmere Road, Folsom, California, 95630;
- (vii) L-3 Communications Security and Detection Systems, Inc., 10 Commerce Way, Woburn, Massachusetts, 01801;
- (viii) L-3 Communications Corporation - Telemetry West Division, 9020 Balboa Avenue, San Diego, California, 92123.

A copy of each above-referenced audit shall be delivered to the Office of Export Enforcement, U.S. Department of Commerce, 381 Elden Street, Herndon, Virginia, 20170, not later than February 1, 2006.

FIFTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



Wendy L. Wysong
Acting Assistant Secretary of Commerce
for Export Enforcement

Entered this 7th day of March 2005.