

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

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In the Matter of: )  
JAPAN AVIATION )  
ELECTRONICS INDUSTRY LTD., )  
Tokyo, Japan )  
Respondent )

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CONSENT AGREEMENT

This Agreement is made by and between Japan Aviation Electronics Industry Ltd. (JAE) 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, Bureau of Politico-Military Affairs, United States Department of State, has notified JAE of its intention to initiate an administrative proceeding against JAE pursuant to Section 38(e) of the Arms Export Control Act (the Act) (22 U.S.C. § 2778) and Section 127.6 of the Regulations, based on allegations that JAE violated Section 38(c) of the Act (22 U.S.C. § 2778(c)) and the Regulations, in that JAE transferred, or caused to be transferred, to Iran, in 1984-87, defense articles covered by

the U.S. Munitions List (22 C.F.R. § 121.1), without the prior written approval of the Department, as set forth in the proposed Charging Letter;

JAE has reviewed the proposed Charging Letter and is aware of the allegations and the administrative sanctions which could be imposed against it if the allegations are found to be true, it fully understands the terms of this Consent Agreement and the appropriate Order (Order), it enters into this Consent Agreement voluntarily and with the full knowledge of its rights, and it states that no promises or representations have been made to it by the Department other than the agreements and considerations herein expressed;

Whereas, JAE has been the subject of an indictment returned on September 4, 1991, in the U.S. District Court, District of Columbia, Criminal Number 91-516 (Criminal Proceeding), charging JAE and other defendants with one count of conspiracy (18 U.S.C. § 371) to violate Section 38 of the Act and twenty-one substantive counts of violating the Act and the Regulations, and intends to enter a plea of guilty to certain charges in the indictment;

Whereas, JAE wishes to settle and dispose of all matters identified in the proposed Charging Letter by entering into this Consent Agreement; and

Whereas, JAE agrees to be bound by the Order,  
when entered;

Now, Therefore, JAE and the Department agree as follows:

1. The Department has jurisdiction over JAE under the Act and the Regulations in connection with the matters identified in the proposed Charging Letter;

2. JAE agrees that, within 10 days of its conviction in the United District Court, District of Columbia, in the Criminal Proceeding, it shall pay to the Department a civil penalty of \$5,000,000.00 (five million dollars) in complete settlement of all alleged violations of the Act and the Regulations set forth in the proposed Charging Letter;

3. The Department agrees that upon the effective date of the Order by the Assistant Secretary of State for Politico-Military Affairs, it will rescind the Department's notice of September 10, 1991 which suspended all existing licenses and other approvals, granted pursuant to Section 38 of the Act, that authorize the export or transfer by, for or to, JAE and any other subsidiary or associated companies, of defense articles or defense services;

4. The Department agrees that it will impose statutory debarment against JAE, its operating divisions, its subsidiaries, its successors, and its assignees for a period of three years from the date of the conviction, with the last two years suspended, except that the debarment shall not extend to JAE Electronics, Inc., and JAE Oregon, Inc., duly incorporated in the United States. The Department further agrees that if at any time during the period of suspension there is reason to believe that JAE, its operating divisions, its subsidiaries, its successors, or its assignees has violated any provisions of the Act or the Regulations, or any of the statutes enumerated in Section 38(g)(1) of the Act, except as set forth in the proposed Charging Letter and the indictment in the Criminal Proceedings, the Department may promptly reimpose statutory debarment;

5. JAE agrees to cooperate with the Department to address the law enforcement concerns raised by the circumstances identified in the proposed Charging Letter;

6. During the period of statutory debarment, the Department agrees to review JAE's Internal Compliance Program, propose additional remedial measures (if any) it believes necessary, and conduct whatever investigation it deems necessary, including on-site audits, to address law enforcement concerns, as required by Section 38(g)(4) of the Act; which actions the Department will undertake during the initial one year period of statutory debarment;

7. JAE agrees to on-site audits by the Department at JAE facilities in Japan and the United States, during the period of statutory debarment, including the period of suspension of such debarment, for compliance with the provisions of the Act and Regulations;

8. The Department agrees that during the period of statutory debarment it will give due consideration, in accordance with the provisions of Sections 38(g)(3) and (4) of the Act, to applications for licenses or other requests for written approvals submitted to the Department which pertain to the export of defense articles or defense services to JAE where the foreign end-user is identified as and is determined to be the Government of Japan;

9. The Department agrees that after the initial one year period of statutory debarment, the Department is prepared to process applications for licenses and requests for other written approvals in accordance with the Department's practices and procedures, after the Department has determined that JAE is in compliance with the Act and the Regulations as required by Section 38(g)(3) and (4) of the Act;

10. JAE agrees that, subject to the approval of the Consent Agreement pursuant to paragraph 14 herein, it hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Consent Agreement or the Order, when entered), including without limitation: (a) any right to an administrative hearing regarding the allegations in the proposed Charging Letter; (b) any right to request a refund of the civil penalty imposed pursuant to this Consent Agreement and the Order, when entered; and (c) any right to seek judicial review or otherwise to contest the validity of this Consent Agreement or the Order, when entered;

11. The Department agrees, upon entry of the Order, that it will not initiate any administrative proceedings under Part 128 of the Regulations against JAE with respect to any violations of the Act or the Regulations arising out of the transactions identified in the proposed Charging Letter and the indictment in the Criminal Proceedings;

12. JAE agrees that, except as stated herein, it and its operating divisions, subsidiaries, successors and assignees are subject to the provisions of Sections 38(g)(3) and (4) of the Act;

13. JAE understands that the Department will make the proposed Charging Letter, this Consent Agreement, and the Order, when entered, available to the public;

14. The Department and JAE agree that the settlement reflected herein is part of a global settlement between JAE and the United States Government in order to settle and dispose of all matters identified in the indictment and proposed Charging Letter. Accordingly, if the United States District Court, District of Columbia, does not accept the plea to which JAE and the Department of Justice have agreed to in a related criminal proceeding, this Consent Agreement shall not be binding on the parties;

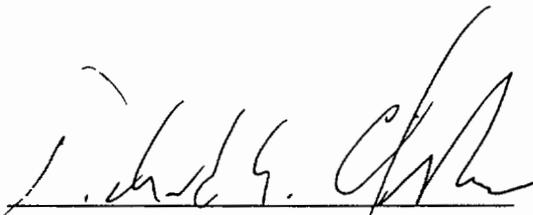
15. The Department and JAE agree that this Consent Agreement is for settlement purposes only. JAE neither admits nor denies the allegations in the proposed Charging Letter. Therefore, if this Consent Agreement is not approved by the Assistant Secretary for Politico-Military Affairs and the Order is not entered by the Assistant Secretary for Politico-Military Affairs, the Department and JAE 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;

16. 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;

17. This Consent Agreement shall become binding on the Department only when the Assistant Secretary for Politico-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

JAPAN AVIATION ELECTRONICS  
INDUSTRY LTD.

  
Richard A. Clarke  
Assistant Secretary  
Bureau of  
Politico-Military Affairs  
Department of State

  
by: Harry A. Inman  
authorized representative for  
Japan Aviation Electronics  
Industry Ltd.

Date 2 21 92

Date 2/21/92