In the Matter of:

LOCKHEED MARTIN CORPORATION

Maryland

Respondent

CONSENT AGREEMENT

WHEREAS, the Office of Defense Trade Controls Compliance, Directorate of Defense Trade Controls, Bureau of Political Military Affairs, U.S. Department of State ("Department") has notified Lockheed Martin Corporation ("Respondent") of its intent to institute an administrative proceeding pursuant to Section 38 of the Arms Export Control Act ("Act") (22 U.S.C. § 2778) and its implementing regulations, the International Traffic in Arms Regulations ("Regulations") (22 C.F.R. § 120-130), based on allegations that the Respondent violated Section 38 of the Act and the International Traffic in Arms Regulations as set forth in a Draft Charging Letter attached hereto and incorporated by reference, herein, by violating the express terms and conditions of Department of State Technical Assistance Agreements and exporting defense services without licenses or other authorizations;

WHEREAS, the substantive allegations in the Draft Charging Letter were violations of the Act and the Regulations by the Respondent in connection with the unauthorized export of classified and unclassified technical data and the unauthorized provision of defense services;
WHEREAS, the Respondent has reviewed the Draft Charging Letter and this Consent Agreement and fully understands these documents and enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, the Respondent wishes to settle and dispose of all civil charges, penalties and sanctions associated with alleged violations of Section 38 of the Act or the Regulations arising from facts which the Respondent has disclosed in writing to the Department or that have been identified in the Draft Charging Letter by entering into this Consent Agreement;

WHEREAS, the Department and the Respondent agree to be bound by this Agreement and a related administrative order ("Order") to be entered 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 the Respondent, including all of the Respondent’s operating divisions and subsidiaries and their assignees and successors to the extent they are subject to the Department’s regulation under the Act and Regulations.

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.

Defense Services and Foreign Defense Articles

(3) The Respondent acknowledges and accepts that the definition of "defense services" in the Regulations is well established and clearly understood by them as setting out responsibilities and requirements which are binding as a matter of law and regulation on them; the furnishing of defense services to foreign persons -- regardless of whether the underlying defense article(s) is of U.S. or foreign origin -- is appropriately subjected to control under the Regulations by the Department even when no technical data is involved (e.g., all the information relied upon in furnishing defense services to a foreign government or foreign person is in the public domain); and, the law and regulations governing "defense services" and proposals to
foreign persons are sufficiently clear and specific as to be enforceable by the
U.S. Government on criminal and civil grounds and the Respondent is
responsible and obligated as a matter of law and regulation to comply with
the requirements of such laws and regulations as they pertain to "defense
services" and related matters.

Penalty

(4) The Respondent shall pay in fines a civil penalty of three million
dollars ($3,000,000.00) in complete settlement of alleged civil violations of
Section 38 of the Act arising from facts which the Respondent has disclosed
in writing to the Department or that have been identified in the Department's
Draft Charging Letter. One Million ($1,000,000) shall be paid to the
Department of State within 10 days of signing of the Order and one million
($1,000,000) shall be paid on each of the first and second anniversaries of
the signing of the Order. The Respondent agrees that the effect of any
statutory limitation to the collection of the civil penalty imposed by this
Agreement shall be tolled until the last payment is made.

(5) The Respondent agrees that the payments made pursuant to this
Agreement (a) will be treated as expressly unallowable costs under the
Federal Acquisition Regulations and will not be reimbursed or sought to be
reimbursed, directly or indirectly, in cost or price of any federal prime
contract, grant or subcontract; and (b) will not be taken as a federal tax
deduction.

Debarment

(6) The Department has determined that a debarment of the Respondent is
not appropriate at this time in view of the Respondent’s acknowledgement of
the seriousness of the various violations outlined in the Draft Charging
Letter and for the consequences of those alleged violations and their
agreement to significant remedial actions, including efforts to improve the
Respondent’s corporate compliance programs as specified herein. The
Department recognizes that the Respondent has cooperated in disclosing
information concerning the facts and circumstances of the alleged violations
to the Department and has cooperated with the Department. The
Department reserves the right to consider imposing additional sanctions,
including debarment, in the event that the Respondent for any reason does
not fulfill the provisions of this Consent Agreement or is responsible for
other violations under the Act or other statutes specified in 22 C.F.R. § 120.27.

**Legal Department Oversight**

(7) Within 30 days of the signing of the Order, Lockheed Martin Corporation’s General Counsel’s office will provide oversight and support to the Lockheed Martin Sippican business unit for all matters involving the Act and the Regulations. This oversight will be structured to achieve consistent application of the Act and the Regulations by the Lockheed Martin Sippican business unit. Lockheed Martin Corporation’s General Counsel’s office shall consider and implement those “Best Practice” improvements in the compliance programs which have applicability to other Lockheed Martin business entities. In addition, the Lockheed Martin Corporation’s General Counsel’s office shall ensure that in each Lockheed Martin Corporation business unit appropriate legal support is made available as necessary to the principal personnel responsible for compliance with the Act and the Regulations and appropriate legal oversight is performed in each business unit with respect to such matters.

**Appointment of a Special Compliance Official**

(8) Within 60 days of the signing of the Order, Lockheed Martin Corporation shall, with the concurrence of the Director, DTCC, appoint a knowledgeable senior manager from Lockheed Martin Sippican to serve as a Special Compliance Official (SCO) for a term of two (2) years. The SCO shall report directly to Lockheed Martin Corporation’s Vice President and Deputy General Counsel and shall be responsible for working with the Vice President and Deputy General Counsel for monitoring the terms of the Consent Agreement and for implementing policies and procedures for strengthening ITAR compliance at Lockheed Martin Sippican.

(9) The SCO shall be responsible for monitoring Lockheed Martin Sippican’s ITAR export compliance program with specific attention related to the following areas associated with the offenses alleged in the Draft Charging Letter:

1. Policies and procedures for ensuring the timely reporting of classified and unclassified ITAR violations directly to DTCC.
2. Policies and Procedures for ensuring required Department export authorizations are obtained for ITAR activities performed in furtherance of Government contracts.

3. Policies and Procedures for ensuring compliance with those limitations and provisos placed on Department authorizations.

(10) The SCO shall provide semi-annual reports to Lockheed Martin Corporation Vice President and Deputy General Counsel and the Director of Defense Trade Controls Compliance. These reports shall pertain to Lockheed Martin Sippican’s ITAR regulated activities and include conclusions and any recommendations necessary to ensure strict compliance with the Act and the Regulations; state whether the SCO has encountered any difficulties in exercising duties and responsibilities assigned herein; describe any and all instances of ITAR non-compliance without waiving Lockheed Martin Sippican’s ability to submit voluntary disclosures; and advise on implementing recommendations advanced by the SCO.

Strengthened Compliance Training

(11) Within 120 days of the signing of the Order, Lockheed Martin will have instituted strengthened corporate export compliance procedures focused principally on training Lockheed Martin Sippican’s business unit employees such that: (a) all Lockheed Martin Sippican employees engaged in activities subject to the Act and Regulations are familiar with the Act, the Regulations, and their own and Lockheed Martin Sippican’s responsibilities, hereunder; (b) all Lockheed Martin Corporation persons responsible for exporting classified defense articles are aware of the requirement under the NISPOM and the ITAR Section 125.3 for obtaining a Department authorization for the classified defense article to be exported and (c) that all Lockheed Martin Corporation persons handling exports governed by Department authorizations are aware of any limitations and provisos, to include limitations placed on the level of classified defense article, for those authorizations.

Export Compliance System

(12) Lockheed Martin Sippican agrees to institute a comprehensive export compliance system to strengthen Lockheed Martin Sippican’s internal controls for ensuring compliance with the Act and Regulations. Within 150
days of the signing of the Order, Lockheed Martin Sippican will provide to DTCC an updated export compliance program “White Paper” for review and concurrence, detailing Lockheed Martin Sippican’s proposed export compliance system. This program will include internal controls designed to track the decision process from the initiation of a request for potential export authorization or clarification of an existing authorization to its conclusion and will ensure Lockheed Martin Sippican’s ability to oversee and monitor export activity. This system will cover the initial identification of all technical data and technical assistance in any form proposed to be disclosed to any foreign persons and will be accessible to DTCC upon request. The export compliance system will be implemented within one hundred eighty (180) days of DTCC’s concurrence of Lockheed Martin Sippican’s submission. Lockheed Martin Sippican understands that the Directorate of Defense Trade Controls may, at its sole discretion, not authorize use of exemptions for shipments of technical data in furtherance of a technical assistance agreement pending the institution of this system.

Audits

(13) Lockheed Martin Corporation shall conduct a review at Lockheed Martin Sippican of the functional processes involved in exporting classified and unclassified defense services and defense articles to verify that the processes are effective to comply with export license authorizations and related provisos. The review will cover exports under Government contracts to ensure ITAR authorizations and/or exemptions are used properly. The review will also cover the Lockheed Martin Sippican voluntary disclosure process to ensure a timely and thorough reporting to DTCC of all compliance violations. The review will be conducted after the implementation of the new procedures addresses in paragraph (9) and shall be conducted under the supervision of a Lockheed Martin Corporation expert in process analysis independent from Lockheed Martin Sippican. By the first anniversary of the signing of the Order, the Vice President and Deputy General Counsel Lockheed Martin Corporation will provide the Director, DTCC with a draft verification plan for review and comment. Within 210 days of the receipt of final comments from the Director, DTCC, a written report of the results of the review shall be submitted by the Vice President and Deputy General Counsel to the Director, DTCC.

(14) For the purpose of assessing compliance with the provisions of the Act, the Regulations and future export licenses and other authorizations, the Respondent agrees to arrange and facilitate, with minimum advance notice,
on-site audits of its business units, wherever situated, by the Department during the two-year term of this agreement commencing on the signing of the Order.

Understandings:

(15) No agreement, understanding, representation or interpretation not contained in this agreement or referenced herein may be used to vary or otherwise affect the terms of this 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. Specifically, the Respondent acknowledges and accepts that there is no understanding expressed or implied through this agreement with respect to a final decision by the Department of State concerning their interest in the approval of export licenses or other U.S Government export authorizations. The Department agrees, assuming the Respondent’s adherence to the terms of this Agreement, and the Act and the Regulations more broadly, 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.

(16) The Department and the Respondent agree that this Agreement is for settlement purposes only. For purposes of this Agreement, the Respondent neither admits nor denies the allegations in the Draft Charging Letter (including without limitation those set forth in the "Relevant Facts and Charges" section of that letter). That said, the 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 security and foreign policy interests of the United States, and agrees to pay a civil penalty, and also to establish an effective corporate compliance program that will seek to prevent any future violations 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 the Respondent agree that they may not use this Agreement in any administrative or judicial proceeding and that none of the parties shall be bound by the settlement terms contained in this Agreement in any subsequent administrative or judicial proceeding.
(17) The Department agrees that, upon signing of the Order and entry into force of this Agreement, this Agreement resolves with respect to the Respondent any civil penalties or sanctions imposed with respect to violations of Section 38 of the Act or the Regulations alleged in the Draft Charging Letter or arising from facts that the Respondents have disclosed in writing to the Department or that have been identified in the Draft Charging Letter, to include other compliance cases that were under review by the Department that have been separately identified to the Respondent.

Waiver

(18) The Respondent agrees that, upon signing of the Order and entry into force of this Consent Agreement, they waive all rights to seek administrative or judicial consideration or review of, or to otherwise contest, the validity of this Consent Agreement, the Order or this matter, including in any action that may be brought for the enforcement of any civil fine, penalty or forfeiture in connection with this Consent Agreement except that the Respondent does not waive its aforesaid rights with regard to any alleged violations of this Agreement.

Documents to be Made Public

(19) The Respondent understands that the Department will make this Agreement, the Draft Charging Letter and the Order, when entered, available to the public in accordance with the Department’s practices and procedures.

Certifications

(20) At the conclusion of the two (2) year term of this Consent Agreement, the General Counsel for the Lockheed Martin Corporation and the Director, Technology Transfer, Export and Compliance, Lockheed Martin Corporation will submit to the Director of DTCC a written certification that all aspects of the Consent Agreement have been implemented and that they have assessed Lockheed Martin Sippican’s export compliance program and attest that it is adequate to identify, prevent, detect, correct and report violations of the Act and the Regulations. Such certification shall specifically address compliance with paragraph (5) of the consent Agreement.

(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 after a full administrative hearing on the record.

U.S. Department of State

Dr. John Hillen
Assistant Secretary for
Political Military Affairs

(Date)     December 12, 2006

Lockheed Martin Corporation

Scott W. MacKay
Vice President and Deputy General Counsel

(Date)     12/1/06