

United States Department of State
Bureau of Political Military Affairs
Washington D.C. 20520

In the Matter of:

GENERAL MOTORS CORPORATION
GENERAL DYNAMICS CORPORATION

Delaware

Respondents

CONSENT AGREEMENT

WHEREAS, the Directorate, Office of Defense Trade Controls, Bureau of Political Military Affairs, U.S. Department of State (“Department”) has notified General Motors Corporation (“GM”) and General Dynamics Corporation (“GD”), (collectively the “Respondents”) of its intent to institute an administrative proceeding pursuant to the Arms Export Control Act (the “Act”) (22 U.S.C. § 2778 (e)) and its implementing regulations, the International Traffic in Arms Regulations (“ITAR” or “Regulations”) (22 C.F.R. § 120-130), based on allegations of violations of Section 38 of the Act and § 127 of the Regulations as set forth in a Draft Charging Letter issued to the Respondents, attached hereto and incorporated by reference; herein. General Dynamics Corporation is named as a Respondent for the purpose of assessing civil liability and other compliance remedies pursuant to their acquisition of certain business units from General Motors. The alleged violations committed by GM include its unauthorized export of technical data, defense services and defense articles to foreign person employees, to include those of proscribed countries, and other matters as set forth herein concerning their business activities;

WHEREAS, the Respondents, having reviewed the Draft Charging Letter and this Consent Agreement, fully understand these documents and enter into this Agreement voluntarily and with full knowledge of their rights;

WHEREAS, the Respondents, by entering into this Consent Agreement, wish to settle and dispose of all civil charges, penalties and sanctions associated with alleged violations of Section 38 of the Act or Regulations arising from the facts which the Respondents have disclosed in writing to the Department and have been identified in the Draft Charging Letter; and upon a request by the Department of Homeland Security, Immigration and Customs Enforcement ("ICE") that this settlement also includes full resolution of any claims under their purview, including forfeiture claims of ICE arising from the facts developed during their investigation of this matter;

WHEREAS, the Department acknowledges that the Respondents described these matters in disclosures submitted to the Department and cooperated with the Department's investigation of this matter;

WHEREAS, the Department, ICE and the Respondents 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, ICE and the Respondents agree as follows:

Parties

(1) The Parties to this Agreement are the Department, ICE, GM, and GD, their assignees and successors, in particular their business units engaged in the manufacture and/or export of defense articles and defense services related to light armored vehicles controlled on the U.S. Munitions List.

Jurisdiction

(2) The Department has jurisdiction over the Respondents under the Act and the Regulations in connection with the matters identified in the Draft

Charging Letter. ICE has the authority to settle this matter with the Respondents pursuant to authority under 19 U.S.C. 1617.

Defense Services and Foreign Defense Articles

(3) The Respondents acknowledge their understanding and accept the definition of “defense services” in the Regulations which sets out responsibilities and requirements which are binding as a matter of law and regulation on them, and that the furnishing of defense services to foreign persons, as defined in the ITAR, including in particular § 120.9 and § 124.1 (a), 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). Although the Draft Charging Letter does not allege that GD fails to understand or violated the provisions of the ITAR concerning defense services and foreign articles, GD’s acquisition of certain business units from GM where these violations occurred require them, as a successor company, to implement remedial compliance measures, set forth in the Annex of Compliance Measures, that includes training relevant to the acknowledgements in this paragraph regarding the export of defense services and related matters.

Penalty

(4) The Respondents agree that they shall pay in fines and remedial compliance measures a civil penalty of \$ 20,000,000 (twenty million dollars), comprised of the amounts stipulated in subparagraphs (a) and (b), in complete settlement of all alleged civil violations pursuant to Section 38 of the Act as set forth in the Department’s Draft Charging Letter. In addition, ICE has requested that the State Department represent its interest in any consent agreement reached with the companies, and also agrees that a part of the total cash penalty, as specified below, assessed against the companies will be deemed as satisfaction for any civil forfeiture claims against the companies in this matter. This civil penalty shall be payable as follows:

- a. GM shall pay a fine of \$10,000,000 (ten million dollars) divided as follows: \$2,000,000 (two million dollars) shall be paid by GM to the Department of State and \$2,000,000 (two million dollars) shall be

paid by GM to the ICE within ten days of the signing of the Order and \$1,500,000 (one and one half million dollars) shall be paid by GM in future installments to the Department on the first, second, third, and fourth anniversary of the signing of the Order. The Respondents agree that the effect of any statutory limitation to the collection of the civil penalty imposed by this Agreement be tolled until the last payment is made and all terms of this Consent Agreement are satisfied.

- b. An additional civil penalty of \$10,000,000 (ten million dollars) is hereby assessed for enhanced remedial compliance measures. Respondent GM will apply \$5,000,000 (five million dollars) of this amount over a five (5) year period for the purpose of defraying a portion of costs associated with the remedial compliance measures specified in the GM Annex of Compliance Measures. Respondent GD will apply \$ 5,000,000 (five million dollars) of this amount over a five (5) year period for the purpose of defraying a portion of the costs associated with the remedial compliance specified herein and in the GD Annex of Compliance Measures attached hereto. The Respondents have already invested funding in strengthened compliance measures that have been identified by the Respondents to the Department and were evaluated by the Department as a mitigating factor in the assessment of the additional civil penalty for remedial compliance measures. The Respondents will individually provide annually to the Department on the anniversary of the date of the Order written accounting(s) of the expenditures associated with this penalty, as specified in each Annex of Compliance Measures, as described below.
- c. Any failure by either Respondent to apply funds appropriately for the required purposes cited in paragraph (b) for remedial compliance enhancements or to provide a satisfactory accounting shall result in that Respondent being required to pay immediately the balance of the civil penalty for remedial compliance measures to the Department.
- d. Respondents are precluded from applying the amounts expended for remedial compliance programs as costs in any contract with any agency of the U.S. Government, either as a prime contractor or

indirectly as a sub-contractor. In the event a Respondent violates this prohibition, the Department will deem it a “failure to apply funds appropriately for the required purposes”, specified in paragraph (c).

- e. The Respondents will individually provide to the Department on the anniversary of the date of the Order an annual written accounting of the expenditures associated with this additional penalty for compliance enhancements. As enumerated in paragraph (b) above, the accounting shall be accompanied by individual statements from each Respondent that the expenditures meet the requirements of paragraph (b) and also certify that these expenditures have not been billed or treated as allowable costs and allocated to any U.S. government contract for reimbursement.

Debarment

(6) The offenses alleged in the Draft Charging Letter relate to the Respondents’ regulated activities with respect to the unauthorized export of technical data, defense services and defense articles to foreign person employees to include those of proscribed countries, and concerns about the reliability of the business units involved in this matter. However, the Department has determined that a prospective debarment of GM, or GD, as a successor, is not appropriate at this time in view of the Respondents’ acknowledgement of the seriousness of the alleged violations outlined in the Draft Charging Letter and for the consequences of those alleged violations, and their agreement to take significant remedial actions, including efforts to improve their corporate compliance programs as specified herein. The Department reserves the right to consider imposing additional sanctions, including debarment, in the event that the Respondents for any reason do not fulfill the provisions of this Consent Agreement or are responsible for other violations under the Act or other statutes specified in 22 C.F.R. § 120.27.

Appointment of a Special Compliance Official

(7) Respondent GM will appoint an official from outside the corporation to serve as a Special Compliance Official. The term, authorities and responsibilities of this official are described in the GM Annex of Compliance Measures attached to this Consent Agreement.

On-Site Audits

(8) For the purpose of assessing compliance with the provisions of the Act, the Regulations and future munitions licenses and authorizations, the Respondents agree to arrange and facilitate, with minimum advance notice, on-site audits of their business units involved in activities subject to the Regulations and Act, and in particular business units involved in the production of LAVs or related parts, wherever situated, by the Department during the five year (5) period of this Agreement commencing on the signing of the Order.

Understandings

(9) 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, 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, except as otherwise noted. Specifically, the Respondents acknowledge and accept 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 licenses or other U.S. Government export authorizations. The Department agrees, assuming the Respondents' adherence to the terms of this Agreement, and the Act and the Regulations more broadly, that decisions concerning future export license applications for the Respondents' will be made on the basis of the security and foreign policy interests of the United States, without reference to the Department's previously expressed concerns regarding the Respondents' reliability, which concerns are considered to be appropriately mitigated through the operation of various provisions of this Agreement.

(10) The Department and the Respondents agree that this Agreement is for settlement purposes only. For purposes of this Agreement, the Respondents neither admit nor deny the allegations in the Draft Charging Letter (including without limitation those set forth in the "Relevant Facts" and "Charges" section of that letter). The Respondents acknowledge the nature and seriousness of the offenses alleged by the Department in the Draft

Charging Letter, and wish to make amends through the payment of restitution, as set forth in this Agreement, and also through the establishment of 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 Respondents 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.

(11) The Department agrees that, upon signing of the Order and entry into force of this Agreement, this Agreement resolves with respect to the Respondents any civil penalties or sanctions imposed with respect to violations of Section 38 of the Act or 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. Further, this Agreement also resolves with respect to the Respondents and with respect to this matter, any civil penalties or sanctions with respect to any matter within the jurisdiction of the ICE.

Waiver

(12) The Respondents agree 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 neither of the Respondents waives their aforesaid rights with regard to any alleged violations of this Agreement.

Documents to be Made Public

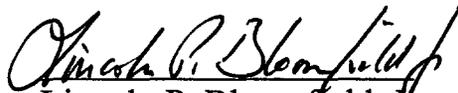
(13) The Respondents understand that the Department will make this Agreement, including the Annexes of Compliance Measures, the Draft Charging Letter and the Order, when entered, available to the public in accordance with the Department's practices and procedures.

(14) This Consent Agreement shall become binding on the Department, ICE, GM and GD 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 full administrative hearing on the record.

Certifications

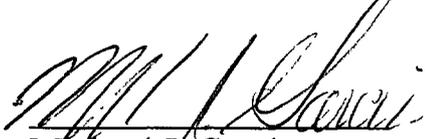
(15) At the conclusion of the five (5) year term of this Consent Agreement, the Presidents, General Counsels and the Director, Export Compliance of GM and the Director, Trade Compliance appointed by GD pursuant to the Annex of Compliance Measures, will submit to the Director, DTCC, written certifications, on behalf of each company, that all aspects of the Consent Agreement have been implemented, that they have assessed their company's current compliance program, and attest that it is adequate to prevent and identify violations of the Act and Regulations and that all fines that were to be directed toward enhanced compliance measures were not billed to any U.S. Government contract for reimbursement.

U.S. Department of State


Lincoln P. Bloomfield, Jr.
Assistant Secretary for
Political Military Affairs

November 1, 2004
(Date)

U.S. Immigration and Customs Enforcement

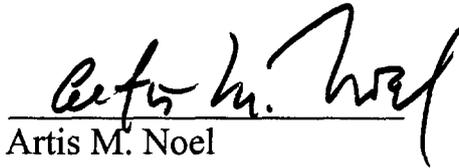


Michael J. Garcia
Assistant Secretary for
U.S. Immigration and Customs Enforcement
Department of Homeland Security

OCT 25 2004

(Date)

General Motors Corporation



Artis M. Noel
Counsel
General Motors

October 26, 2004
(Date)

General Dynamics Corporation



David A. Savner
Sr. Vice President and General Counsel
General Dynamics Corporation

October 22, 2004

(Date)

Annex of Compliance Measures

Annex of Compliance Measures

General Dynamics Corporation (“GD”):

Schedule of Compliance Measures

GD, reflecting its commitment to conduct ITAR controlled export business activities 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 are no unauthorized exports of light armored vehicle products or technical assistance whatsoever, or any other defense article or defense services, to any foreign person, including any of its foreign partners, agrees to implement the following remedial measures and such additional measures as may be mutually agreed upon by GD and the Director, Defense Trade Controls Compliance (“DTCC”), and agrees further that these measures will be honored for a five (5) year period, unless otherwise noted, as part of the Consent Agreement entered into with the Department of State and the Department of Homeland Security, Immigration and Customs Enforcement or its’ successor Agency or Bureau. (“ICE”)

GD Official Designated for Consent Agreement Compliance and Oversight

(1) The GD business units that will be directly covered by the scope of this Consent Agreement and Annex of Compliance Measures are those business units involved in the manufacture, production and design of light armored vehicles and component parts to include: LAV and U.S. Content LAV manufacturing facility in London, Ontario, Canada (GDLS-CC); LAV and U.S. Content LAV turret manufacturing and repair facilities in Adelaide, Pooraka, Darwin and Canberra, Australia (GDLS-A); LAV design and manufacturing facility in Kreuzlingen, Switzerland (MOWAG) and U.S. Content LAV turret and weapon system engineering in Goleta, California (GDLS-CTC).¹ GD’s Senior Vice President and General Counsel, will designate the Director, Trade Compliance of GDLS (“Director, Trade Compliance”) as the primary GD designated official to (a) strengthen GDLS’ and MOWAG’s export

compliance programs with specific attention to those areas associated with the offenses alleged in the Draft Charging Letter and to improve written policies and procedures for regulated activities carried out by GD; (b) ensure that GDLS and MOWAG perform their responsibilities in a timely and satisfactory manner as required by this Agreement and accompanying Order; and (c) oversee light armored vehicle activities by GDLS and MOWAG subject to the Regulations. Further, with respect to MOWAG, the Vice President and General Counsel, GD ELCS, shall prepare semi-annual reports for the Director, Trade Compliance concerning the export compliance program at MOWAG and its implementation of the terms of this Consent Agreement. In fulfilling the responsibilities set forth in this Consent Agreement, the Director, Trade Compliance may at his sole discretion present any disagreement with GDLS's or MOWAG's management directly to any or all among GDLS's Vice President and General Counsel, GD ELCS' Vice President and General Counsel, GDLS or MOWAG's Board of Directors or the Director, DTCC. GD's Senior Vice President and General Counsel or GDLS' Vice President and General Counsel and ELCS' Vice President and General Counsel, may participate in discussions initiated by the Director, Trade Compliance, with the Board of Directors at the Director or Board's discretion. GDLS' and GD ELCS' Vice President and General Counsel shall consent to the following terms and conditions regarding the power, duties, authorities, and responsibilities of the Director, Trade Compliance as it pertains to this Consent Agreement:

(A) The Director, Trade Compliance shall have the power and authority to monitor GDLS' and MOWAG's compliance with the terms of this Consent Agreement and accompanying Order. Within fifteen (15) days of the signing of the Order, GD shall confer this authority in writing and make this known throughout GDLS and MOWAG, and GD shall provide a copy of this notice to DTCC.

(B) If for any reason the Director, Trade Compliance is unable to serve in this capacity for the duration of this Agreement, GD's Senior Vice President and General Counsel may recommend a successor acceptable to the Director, DTCC. Such recommendation shall be made at least

thirty (30) days in advance of a new appointment. If the Director, Trade Compliance is unable to carry out his responsibilities on a temporary basis (i.e., not to exceed thirty (30) days), the GD Senior Vice President and General Counsel shall assume the power and authority of the Director, Trade Compliance in the interim.

(C) The Director, Trade Compliance shall have full and complete access to GDLS' and MOWAG's personnel, books, records, documents, facilities and technical information relating to this Consent Agreement, Order and pertinent munitions authorizations, licenses, guidance and the like relating to the export of defense articles and defense services associated with GDLS' and MOWAG's Light Armored Vehicle programs.

(D) The Director, Trade Compliance, with GDLS' and MOWAG's consent, which shall not be unreasonably withheld, shall have the authority to employ, at the expense of GD, GDLS or MOWAG, such assistants and professional staff as are necessary to carry out the additional responsibilities of the Director, Trade Compliance as it relates to the Consent Agreement. Such expenses, including salaries and expenses of the Director, directly related to this Agreement, may be paid from the \$5,000,000 (five million dollars) penalty specified for compliance enhancements.

(E) The Office of DTCC may, at its own initiative, issue such guidance or request a specific inquiry as may be necessary or appropriate to ensure compliance with the Regulations and the terms and conditions of authorizations DTCC has provided to GDLS and MOWAG.

(F) The Director, Trade Compliance shall provide reports to GDLS' and GD ELCS' Vice President and General Counsel, who shall forward the reports to GD's Senior Vice President and General Counsel, and shall also provide periodic reports to GDLS' and MOWAG's Board of Directors, as well as to the Director, DTCC, concerning GDLS' and MOWAG's compliance with this Agreement and Order. These reports shall include conclusions and any recommendations necessary to ensure

strict compliance with the Act and Regulations; state whether the Director, Trade Compliance has encountered any difficulties in exercising the duties and responsibilities assigned herein; describe any and all instances of non-compliance without waiving GDLS' or MOWAG's ability to submit voluntary disclosures; and advise on progress in implementing previous recommendations advanced by the Director, Trade Compliance. These reports shall be provided every sixty (60) days for a period of six months from the date of the signing of the Order; and semi-annually thereafter during the remainder of the Consent Agreement.

Strengthened Compliance Training:

(2) Within 120 days of the signing of the Order, GD will have instituted strengthened corporate export compliance training focused principally on GDLS' and MOWAG's light armored vehicle business operations such that: (a) all relevant GDLS and MOWAG employees of business units engaged in the manufacture of light armored vehicle and component parts are familiar with the Act, the Regulations, and their own and GD's responsibilities thereunder; (b) all officers and employees at the corporate level in these business units are knowledgeable about the underlying policies and principles of the Act and the Regulations; and (c) there are careful records indicating the names of employees, trainers, and level and area of training received (e.g, use of public domain information in performing defense services, applicability of ITAR to foreign-origin defense articles).

Computer Compliance Control System

(3) GD agrees to institute a comprehensive computerized export tracking system to strengthen GDLS' and MOWAG's internal controls for ensuring compliance with the Act and Regulations. Within ninety (90) days of the signing of the Order, GD will provide to DTCC a "White Paper" for review and concurrence, outlining GDLS' and MOWAG's proposed Computer Compliance Control System to track the decision-making process from the initiation of a request for potential

export authorization or clarification of an existing authorization or proviso to its conclusion, that will reflect GDLS' and MOWAG's ability to oversee and monitor export activity related to GDLS' and MOWAG's manufacture of light armored vehicles and component parts. 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. This system will be implemented within one hundred and eighty (180) days of DTCC's concurrence of GD's proposal. Failure to implement this system within the parameters outlined in this paragraph will be deemed as a failure to apply funds appropriately for the required purposes cited in paragraph 4 (c) of the Consent Agreement for remedial compliance enhancements.

Law Department Oversight:

(4) Within one hundred and twenty (120) days of the signing of the Order, GD will establish measures such that the General Counsel's office of GD will provide oversight and support to all of GDLS' and MOWAG's light armored vehicle businesses for all matters involving this Consent Agreement, the Act and Regulations. This oversight will also be structured to achieve consistent application of the Act and the Regulations by all GD's subsidiaries. Toward this end, the GD General Counsel's office shall consider and implement, where appropriate, those improvements in the compliance programs recommended by the Director, Trade Compliance, which may have applicability to other GD business entities. In addition, the General Counsel's office of GD shall take action such that in each GD subsidiary 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 subsidiary engaged in the manufacture of light armored vehicles and component parts with respect to such matters. In addition to other reporting responsibilities, GD legal staff providing support regarding the Act and the Regulations shall regularly report to GDLS' and GD ELCS' Vice President and General Counsel and GD's Senior Vice President and General Counsel with respect to such matters. The Director, Trade Compliance and the General Counsel's office will have appropriate, documented input in performance reviews of the principal GDLS and MOWAG personnel responsible for compliance with the Act and the Regulations.

Hotline for AECA and ITAR:

(5) Within 30 days of the signing of the Order, GD will re-publicize to its employees the availability of its Ethics Hotline for reporting violations of the Act and the ITAR to ensure that violations may be readily reported via this channel, without fear of recrimination or retaliation. Hotline calls about export matters relating to GDLS and MOWAG will be directed to the Director, Trade Compliance, and to GDLS' and GD ELCS' Vice President and General Counsel, respectively, who will be responsible for responding to such calls. The Director, Trade and Compliance shall prepare a semi-annual report assessing the effectiveness of the hotline system. A copy of this report shall be provided to GDLS' and GD ELCS' Vice President and General Counsel, GD's Senior Vice President and General Counsel and to the Director, DTCC. This written report 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 violations, without disclosing employee confidentiality.

Audit:

(6) GD, will conduct an audit that will provide a thorough assessment of GDLS' and MOWAG's implementation of all measures set forth in paragraphs 1-5 above, and such other areas as may be identified by the Director, Trade Compliance and the Director, DTCC. Within twelve (12) months after signing the Order, GD will submit a draft audit plan to the Department (DTCC) for their review and comments prior to the start of the audit. Within twelve (12) months of receipt of DTCC's final comments on the draft audit plan, the audit will be completed and a written report containing recommendations for improvements with respect to the aforesaid measures or compliance with the Act or the Regulations more generally, will be submitted to GDLS' and ELCS' Vice President and General Counsel, GD Senior Vice President and General Counsel, the Director, Trade Compliance and to the Director, DTCC by the second anniversary of the signing of the Order.

Other

(7) In addition, the civil penalty of \$5,000,000 (five million dollars) imposed under paragraph 5 of the Consent Agreement may be applied to GD's costs associated with increasing in-house export control personnel associated with additional export compliance enhancements, as required, including attorney (ies), GDLS' or MOWAG's export compliance manual, internal web site, Computer Compliance Control System and other export control compliance procedures and documents, as well as consultants and experts from outside GD to support the preceding activities.

Annex of Compliance Measures

General Motors Corporation (“GM”)

GM, reflecting its commitment to conduct ITAR controlled export business activities 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 defense service and any technical assistance whatsoever to any foreign person, including any of its foreign partners, and in particular, any defense service and any technical assistance whatsoever that would assist in the design, development or enhancement of foreign light armored vehicles and component parts, agrees to implement the following remedial measures and such additional measures as may be mutually agreed upon by GM, the Special Compliance Official and the Director, Office of Defense Trade Controls Compliance (“DTCC”), and GM agrees further that these measures will be honored for a five (5) year period, unless otherwise noted, as part of the Consent Agreement entered into with the Department of State and the Department of Homeland Security, Immigration and Customs Enforcement or its’ successor Agency or Bureau.

Appointment of a Special Compliance Official (SCO)

(1) GM’s Chief, Office of Export Compliance (“OEC”) shall appoint an individual from outside the corporation to serve as a Special Compliance Official (“SCO”) for an initial term of three years, to be succeeded by an individual from inside the corporation who will serve for an additional two (2) years, in both instances reporting to GM’s, Executive Vice President and General Counsel, the Chief, OEC, the GM Director, Export Compliance, the GM Board of Directors and the Director, DTCC.

(2) The SCO shall not have been employed in any prior capacity nor previously represented GM, or any of its subsidiaries, and shall agree to forsake for all time as a condition of this employment any such future employment or representation. The appointment shall be made within thirty (30) days of the signing of this Agreement and accompanying Order and, unless agreed to prior to, or at the time, of settlement, the appointment shall be subject to the written approval of the Director, DTCC. The SCO shall

have three principal areas of responsibility regarding the future conduct of GM: (a) strengthening of GM's export compliance program with specific attention relating to those areas associated with the offenses alleged in the Draft Charging Letter, in particular, Allison Transmission ("Allison") export activities and to improve written policies and procedures for all ITAR regulated activities carried out by GM; (b) ensuring that GM performs its responsibilities in a timely and satisfactory manner as required by this Agreement and the accompanying Order; and (c) overseeing all activities by GM subject to the Regulations during the period covered by this Agreement (i.e., five (5) years, unless otherwise expressly provided for). The SCO shall be kept fully informed by GM's Chief, OEC and the GM Director, Export Compliance and actively engaged in overseeing all activities related to compliance with the Regulations, the Act and the specific terms and conditions of pertinent licenses, with complete access to all relevant personnel and documents. With respect to its other business operations, GM also acknowledges and accepts its obligation to ensure that those operations have and maintain effective export control procedures and also ensure appropriate coordination between the GM Office of Export Compliance and the SCO such that its other business operations may benefit from enhanced compliance measures introduced. The SCO may also be requested to perform such other export oversight and coordination activities, called or otherwise agreed to by DTCC and GM. In fulfilling the responsibilities set forth in this Consent Agreement, the SCO may at his/her sole discretion present any disagreement with GM's management directly to GM's Chief Executive Officer, the GM Board of Directors or the Director, DTCC, or to all three. The GM Chief, OEC and the Senior Vice President and General Counsel or their designee may participate in discussions initiated by the SCO with GM's Board of Directors at their discretion. The Board of Directors of GM shall consent to the following terms and conditions regarding the power, duties, authorities, and responsibilities of the SCO.

(A) The SCO shall have the power and authority to monitor GM's compliance with the terms of this Consent Agreement and accompanying Order and shall exercise such power and authority and carry out the duties and responsibilities of the SCO as set forth herein in a manner consistent with the purposes of this Consent Agreement; the accompanying Order, the specific terms and conditions of munitions license applications and other

authorizations falling within the parameters of clause (c), above, provided to GM by the Department of State, and in consultation with the DTCC.

(B) Within fifteen (15) days of the appointment of the SCO, GM shall confer on this individual all rights and powers necessary to permit the SCO to monitor, oversee and promote GM's compliance with the terms of this Agreement in a manner consistent with the purposes of this Agreement and the Order, and the specific terms and conditions of pertinent (i.e., covered by clause (c) above) munitions license authorizations and other activities subject to the Regulations and the Act. Such rights and powers shall be conferred in writing; shall be made known throughout GM's respective companies; and a copy shall be deposited by the forty-sixth (46) day of the signing of the Order with the office of DTCC.

(C) The outside SCO shall serve for a three (3) year period from the date of the signing of the Order. The Director, DTCC, must approve any request by GM for an extension of the term of the SCO. The Director, DTCC shall also have the authority to recommend removal of the SCO in the event the Department determines that the SCO is not fulfilling the responsibilities of SCO position in a satisfactory manner. If for any reason the appointed SCO is unable to serve the full period of his/her appointment, GM's Chief, OEC or his/her designee and the GM Director, Export Compliance may recommend a successor acceptable to the Director, DTCC, whose agreement to the replacement will be provided in writing. Such a recommendation shall be made at least thirty (30) days in advance of a new appointment. If the SCO for any reason is unable to carry out the responsibilities described herein on a temporary basis (i.e., not to exceed thirty (30) days), then GM's Chief, OEC or his/her designee shall assume the power and authority of SCO in the interim. The conferring of rights and powers described in paragraph B, above, shall make provision for this event. Within twenty-four months of appointment, the SCO, after consultations with GM's Chief, OEC and the GM Director, Export Compliance shall recommend a successor SCO acceptable to GM and the Director, DTCC, who shall serve for the remaining two (2) year period. The successor SCO shall be an employee of GM, who is fully capable of performing the responsibilities of the SCO.

(D) The SCO shall have full and complete access to GM's personnel, books, records, documents, facilities and technical information relating to

compliance with this Consent Agreement, Order and pertinent (i.e., covered by clause (c) above) munitions authorizations, licenses, guidance and the like relating to the export of defense articles and defense services associated with GM's programs.

(E) GM shall cooperate with any reasonable request of the SCO, including any request for assistance to obtain any necessary security clearances, and shall take no action to interfere with or impede the SCO's ability to monitor GM's compliance with this Agreement, the Act and the Regulations or to carry out his/her other responsibilities set forth in this Agreement.

(F) The SCO with GM's consent, which shall not be unreasonably withheld, shall have the authority to employ, at the expense of GM, such assistants and other professional staff as are reasonably necessary to carry out the SCO's duties and responsibilities. Such expenses, including salaries and expenses of the SCO, may be paid for from the additional compliance penalty of \$5,000,000 million dollars described in paragraph 5 (b) of this Agreement.

(G) DTCC may, on its own initiative or at the request of the SCO, issue such guidance as may be necessary or appropriate to ensure compliance with the Regulations and terms and conditions of authorizations DTCC has provided to GM.

(H) The SCO shall provide reports to the GM Chief, OEC and GM Director, Export Compliance and shall also provide those reports to the GM Board of Directors, GM Senior Vice President and General Counsel, and Chief Executive Officer, as well as to the Director, DTCC, concerning GM's compliance with this Agreement and Order, as well as with such other pertinent (i.e., covered by clause (c) above) U.S. Government munitions authorizations, licenses, guidance and the like then in force pertaining to GM's ITAR regulated activities. These reports shall include conclusions and any recommendations necessary to ensure strict compliance with the Act and Regulations; state whether the SCO has encountered any difficulties in exercising duties and responsibilities assigned herein; describe any and all instances of non-compliance without waiving GM's ability to submit voluntary disclosures; and advise on progress in implementing previous recommendations advanced by the SCO. These reports may, in a separate

annex, also include any relevant comments or input by GM's Chief, OEC. The reports shall be provided:

- Every sixty (60) days for a period of six months from the date of the signing of the Order; and
- Semi-Annually thereafter during the remainder of the SCO's period of appointment.

Strengthened Compliance Training

(3) Within 180 days of the signing of the Order, GM will have instituted strengthened corporate export compliance training focused primarily on GM's business operations such that: (a) all GM employees of the business units engaged in the manufacture, sale and marketing of military transmissions and related parts and components and any other ITAR regulated activity are familiar with the Act, the Regulations, and their own and GM's responsibilities, thereunder; (b) all officers and employees at the corporate level in these business units are knowledgeable about the underlying policies and principles of the Act and the Regulations; and (c) there are detailed records indicating the names of the employees, trainers, and level and area of training received (e.g., use of public domain information in performing defense services, applicability of ITAR to foreign-origin defense articles).

Computer Control System

(4) GM agrees to institute a comprehensive computerized export tracking system to strengthen GM's internal controls for ensuring compliance with the Act and Regulations, at the business units engaged in ITAR controlled activities, in particular those units engaged in the manufacture, sale and marketing of military transmissions and related parts and components. Within 60 days of the signing of the Order, GM will have provided to DTCC a "White Paper" for review and concurrence, outlining GM's proposed Computer Compliance Control System to track the decision process from the initiation of a request for potential ITAR regulated export activity and subsequent authorization or clarification of an existing authorization or proviso to its conclusion, that will reflect GM'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 by DTCC upon request. This system will be implemented within one hundred and twenty (120) days of DTCC's concurrence of GM's proposal. Failure to implement this system within the parameters outlined in this paragraph will be deemed as a failure to apply funds appropriately for the required purposes cited in paragraph 4 (c) of the Consent Agreement for remedial compliance enhancements.

Legal Oversight

(5) Within 180 days of signing the Order, GM will establish measures such that the GM Chief, OEC will provide legal oversight and support to all business units involved in related export activities for all matters involving the Act and Regulations. This oversight will also be structured to achieve consistent application of the Act and Regulations by all of GM. Toward this end, the GM Senior Vice President and General Counsel and the Chief, OEC shall ensure that the Office of Export Compliance will provide legal oversight and support to all business units involved in related export activities for matters involving the Act and Regulations. The Chief, OEC will report directly to the GM Senior Vice President and General Counsel to achieve consistent application of the Act and Regulations by all of GM. Toward this end, the Chief, OEC and the GM Director, Export Compliance shall consider and implement, where appropriate, those improvements in the respective GM compliance program recommended by the SCO, which have applicability to other GM entities involved in ITAR regulated activities. In addition, the Chief, OEC and the Director of Export Compliance shall take action such that in each GM subsidiary appropriate legal support is made available as necessary to the principal personnel responsible for compliance with the Act and Regulations and appropriate legal oversight is performed in each subsidiary with respect to such matters through a formal reporting relationship to the OEC, by Export Compliance Officers (ECOs) that will be involved in export control activities. In addition to other reporting responsibilities, the Chief, OEC shall report directly to GM's Senior Vice President and General Counsel with respect to all ITAR matters. The Chief, OEC, the Director, Export Compliance and the SCO will have the

opportunity for input in performance reviews, to include ECOs and other GM personnel involved in compliance with the Act and Regulations.

Hotline for AECA and ITAR

(6) Within 30 days of the signing of the Order, GM will establish and publicize the availability of an AECA and ITAR Hotline for reporting violations of the Act and the ITAR to ensure that violations may be readily reported via this channel, without fear of recrimination or retaliation. Hotline calls about export matters will be directed to the SCO, Chief, OEC and the Director, Export Compliance that will be responsible for responding to such calls. The SCO shall prepare a quarterly report assessing the effectiveness of the hotline system. A copy of the report shall be provided to the President, CEO, Senior Vice President and General Counsel, Chief, OEC, the Director, Export Compliance and to the Director, DTCC. This written report will be in sufficient detail such that the Department may, consistent with its responsibilities under the law and regulation, form an opinion about the seriousness of the alleged violations, without disclosing employee confidentiality.

Audit

(7) GM, in coordination with the SCO, will conduct a thorough assessment of GM's implementation of all measures set forth in paragraphs 1-6 above, and such other areas that may be identified by the SCO. Within twelve (12) months after signing the Order, GM will submit a draft audit plan to the Department's (DTCC) for their review and comments prior to the start of the audit. Within twelve (12) months of the receipt of DTCC's final comments on the draft audit plan, the audit will be completed, and a written report containing recommendations for improvements with respect to the aforesaid measures or compliance with the Act or Regulations more generally, shall be submitted to the GM Senior Vice President and General Counsel's office, the Chief, OEC, the GM Director, Export Compliance, the SCO and to the Director, DTCC.

Other

(8) In addition, the applicable portion of the civil penalty of \$5,000,000 (five million dollars) imposed under paragraph 5 of the Consent Agreement may be applied to GM's costs associated with increasing in-house export control personnel associated with additional export compliance enhancements, as required, including attorney (s), GM's export compliance manual, internal web site, Computer Control System, and other export control compliance procedures and documents, as well as consultants and experts from outside GM to support the preceding activities.