

UNITED STATES DEPARTMENT OF STATE
BUREAU OF POLITICAL-MILITARY AFFAIRS -
WASHINGTON, DC 20520

In the Matter of:

ITT Industries, Inc)
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 Indiana))
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Respondent))

ORDER

WHEREAS, the Directorate of Defense Trade Controls, Bureau of Political Military Affairs, United States Department of State (the "Department"), has notified ITT Industries, Inc. (the "Respondent") of its intention to initiate an administrative proceeding against it pursuant to the Arms Export Control Act (the "Act") (22 C.F.R. § 2778 (e)) and its implementing regulations, the International Traffic in Arms Regulations (22 C.F.R. § 120-130) (the "Regulations"), based on allegations that the Respondent violated Section 38 of the Act (22 U.S.C. § 2778) and § 127 of the Regulations and are more particularly set forth in a Draft Charging Letter issued to the Respondents on May 19, 2004, attached hereto and incorporated by reference herein, in connection with the unauthorized export of night vision products and the unauthorized export of space remote sensing technical data and defense services.

WHEREAS, the Department and the Respondent have entered into a Consent Agreement pursuant to Section 128.11 of the Regulations whereby

the Department and the Respondent have agreed to settle this matter in accordance with the terms and conditions set forth therein;

IT IS THEREFORE ORDERED,

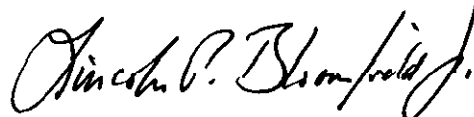
FIRST, that the Respondent shall pay in fines and in remedial compliance measures a civil penalty of \$8,000,000 (eight million dollars), comprised of the amounts stipulated herein and in paragraph (2), in complete settlement of the alleged civil violations pursuant to Section 38 of the Act arising from facts which the Respondent has disclosed in writing to the Department or that have been identified in the Department's Draft Charging letter. This civil penalty shall be payable as follows: \$1,000,000 (one million dollars) shall be paid to the Department of State within 10 days of the signing of this Order; \$1,000,000 (one million dollars) shall be paid annually in installments payable on the first and second anniversary of the signing of this Order. The Respondent agrees that the effect of any statutory limitation to the collection of the civil penalty imposed by the Consent Agreement and this Order shall be tolled until the termination of the Consent Agreement.

SECOND, that the rest of the civil penalty consisting of \$5,000,000 (five million dollars) is hereby assessed for remedial compliance enhancements specified in the Consent Agreement's Annex of Compliance Measures. The Respondent will apply \$5 million of this penalty over a five (5) year period commencing from the date of the signing of this Order. The Respondent will provide annually to the Department on the anniversary of the date of this Order written accounting of the expenditures associated with this penalty assessed for remedial compliance enhancements. The accounting shall be accompanied by a copy of a certification by the Respondent to the U.S. Department of Defense that the expenditures for the civil penalty's remedial compliance enhancements have not been treated as allowable costs allocated to any U.S. government contract for reimbursement, either as a prime contractor or indirectly as a sub-contractor. Any failure by the Respondent to use these funds appropriately for the purpose of remedial compliance enhancements or to provide a satisfactory accounting shall result in a lifting of the suspension, in which case the Respondent shall be required to pay immediately to the Department the balance of the penalty suspended to promote future compliance activities.

THIRD, The Respondent shall institute the compliance measures in the Consent Agreement, and shall do so within the deadlines established therein.

FOURTH, that the Charging Letter, the Consent Agreement, the Annexes of Compliance Measures and this Order shall be made available to the public.

This Order becomes effective on the day it is signed.



Lincoln P. Bloomfield, Jr.
Assistant Secretary for
Political-Military Affairs
Department of State

Entered this 1st day of November 2004