Lockheed Martin Corporation Settles Charges Involving the Arms Export Control Act and International Traffic in Arms Regulations

The Department of State and Lockheed Martin Corporation (Lockheed) have reached an agreement pursuant to the Arms Export Control Act (AECA) and International Traffic in Arms Regulations (ITAR). Lockheed submitted a Voluntary Disclosure to the Department concerning unauthorized actions it took to sell Hellfire missiles to the United Arab Emirates, including an unauthorized proposal to sell Significant Military Equipment, the unauthorized export of classified and unclassified technical data, the failure to comply with requirements for safeguarding classified information, and the failure to obtain a Non-Transfer and Use Certificate. Separately, Lockheed recently submitted a second Voluntary Disclosure involving the unauthorized export of classified information on the Joint Air-to-Surface Standoff Missile. The Department considered Lockheed’s Voluntary Disclosures as a mitigating factor when determining the extent of the charges and penalties to pursue in this matter. However, given the national security and foreign policy interests involved, specifically classified information and violations that may have caused harm to U.S. national security and foreign policy interests, the Department decided to take action against Lockheed.

Under the Consent Agreement that it signed this week to settle the case, Lockheed has agreed to pay a civil penalty of $4,000,000, of which $1,000,000 is suspended on the condition that it be used for Consent Agreement remedial compliance measures. Under the Consent Agreement, Lockheed is required to appoint an Internal Special Compliance Official (ISCO) for a minimum term of two (2) years. The ISCO must oversee the implementation of the compliance measures called for in the Consent Agreement. Also under the Consent Agreement, Lockheed must conduct an internal review of AECA and ITAR compliance resources throughout four of its ITAR-regulated business units within its Electronic Systems (ES) business segment, and establish the necessary actions to ensure that sufficient resources are dedicated to compliance.

Additionally, within six months Lockheed will provide to the Director of the Defense Trade Controls Compliance (DTCC), and then semi-annually thereafter, status reports by ES ITAR-regulated business units on ITAR compliance program enhancements and resources and their effect on ensuring ITAR compliance. Lockheed will also have an audit conducted within twenty-four (24) months by an outside consultant that will provide a thorough assessment of the ES business units’ corrective actions taken to address each of the issues that were addressed in Voluntary Disclosures, as well as the effectiveness of any such actions.

Lockheed has acknowledged the seriousness its conduct and has cooperated with the Department’s investigation, expressed regret for these activities and taken steps to improve its compliance programs. Lockheed has also undertaken to make amends by paying a cash penalty, and implementing the remedial compliance actions specified in this Consent Agreement. For these reasons, the Department has determined that an administrative debarment of Lockheed is not appropriate at this time.

The Consent Agreement and related documents will be available to public on the DDTC website (http://www.pmddtc.state.gov/).

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