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ITT to Pay \$100 Million Export Fine

Restricted Night-Vision Data Given to Overseas Suppliers

By Alec Klein
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ITT Corp. agreed to plead guilty to illegally exporting night-vision technology to China and other countries and pay a \$100 million fine, one of the largest penalties in a U.S. criminal prosecution, the Justice Department said yesterday.

In announcing the plea agreement, the Justice Department said ITT would be the first major U.S. defense contractor convicted of a criminal violation of the Arms Export Control Act. Many individuals and small companies have been convicted of violating the law. Department spokesman Dean Boyd also said the penalty is believed to be the largest fine of a U.S. defense contractor involving an export violation.

"There was a culture at this company where they viewed export laws as an obstacle to making money and they actively and willfully worked to circumvent the U.S. laws to increase profits," Boyd said.

Other major U.S. defense contractors have paid civil fines in recent years for illegally exporting sensitive technologies. Hughes Electronics and Boeing Satellite Systems paid a \$32 million fine in 2003 for sharing satellite technology with China. Raytheon paid a \$25 million penalty that year for exporting communications equipment to the Pakistani military.

ITT's criminal violations occurred in part between March and August 2001, according to the Justice Department. ITT, a defense and technology company based in White Plains, N.Y., improperly exported technical data related to its night-vision equipment to China, Singapore and Britain, without first obtaining a license or written authorization from the State Department, according to the Justice Department.

The restricted technical information was transferred when ITT was seeking an overseas supplier to build some components of the night-vision equipment without the appropriate licenses, said Tom Glover, an ITT spokesman. "We recognize that was wrong," he said. Because night-vision equipment is designated as "defense articles" on the U.S. Munitions List, companies are required to obtain State Department authorization before exporting them.

ITT also left out "material facts" in its arms-export reports to the State Department from 2000 to 2004, the Justice Department said.

"ITT Corporation was aware that it was violating its export licenses for night vision goggles but failed to take significant corrective action to stop the ongoing violations until shortly before it informed the Department of State about the violations," the Justice Department said.

Glover said, "Serious violations occurred, and we have dedicated a lot of time and resources to find out what happened and to prevent this from happening again." He said the exported technology did not include its "night-vision tube," the technology that takes available light and magnifies it.

As part of the plea agreement, ITT can halve its penalty by spending \$50 million on development of advanced night-vision technology for the military.

Glover said the company has installed new leadership since most of the violations occurred, and it has accounted for the financial impact of the settlement. In December, the company, which has about 600 employees in the Washington area,

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indicated that it would take a fourth-quarter charge of \$25 million, or 13 cents a share. "We felt that reserve plus previous reserves would cover the impact of the settlement, and we still believe that," Glover said.

Under the settlement, ITT is temporarily restricted in the sale of its night-vision equipment , but that should affect only about 5 percent of its estimated \$400 million in annual revenue, Glover said. He also said there should be no effect on its night-vision equipment factory, which employs about 1,400 people in Roanoke.

"We've got a lot of work today for our existing U.S. military customer," Glover said. "They're going full guns down there and we expect that to continue."

Staff researcher Richard Drezen contributed to this report.

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