

December 5, 2008
UNITED STATES DEPARTMENT OF STATE
BUREAU OF POLITICAL MILITARY AFFAIRS
WASHINGTON, D.C. 20520

In the Matter of:

Qioptiq S.a.r.l.

A Luxembourg Limited Liability Company

Respondent

CONSENT AGREEMENT

WHEREAS, the Office of the Directorate of Defense Trade Controls, Bureau of Political-Military Affairs, U.S. Department of State ("Department") has notified Qioptiq S.a.r.l., ("Respondent") of its intent to institute an administrative proceeding pursuant to section 38 of the Arms Export Control Act, as amended ("AECA") (22 U.S.C. § 2778), and its implementing regulations, the International Traffic in Arms Regulations ("ITAR") (22 C.F.R. pts. 120-130);

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

WHEREAS, the Respondent has reviewed the Proposed Charging Letter and this Consent Agreement including the Annex of Compliance Measures (hereafter collectively referred to as "Consent Agreement"), fully understands these documents, and enters into this Consent Agreement voluntarily and with full knowledge of its rights;

WHEREAS, the Respondent wishes to settle and dispose of all potential civil charges, penalties and sanctions arising from the Proposed Charging Letter, and the facts that the Respondent has disclosed in writing to the Department in its Voluntary Disclosures dated October 10, 2006, October 20, 2006, November 15, 2006, November 30, 2006, January 15, 2007, January 31, 2007, July 30, 2007, August 2, 2007, November 7, 2007, November 29, 2007, December 11, 2007, February 28, 2008, March 5, 2008, and May 8, 2008;

WHEREAS, the Respondent agrees that if the Department finds that this Consent Agreement was negotiated based on the Respondent's knowingly providing materially false or misleading information to the Department, the Department may revoke this Consent Agreement and the related administrative order ("Order"), and bring additional charges against the Respondent. Additionally, the Respondent understands that a violation of this Consent Agreement is considered a violation of the Order; and

WHEREAS, the Department and the Respondent agree to be bound by this Consent Agreement and the 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 Consent Agreement are the Department and the Respondent, including the Respondent's operating divisions and subsidiaries and their assignees and successors.

Jurisdiction

(2) The Department has jurisdiction over the Respondent under the AECA and the ITAR in connection with the matters identified in the Proposed Charging Letter.

Official Designated for Consent Agreement Compliance and Oversight

(3) The Respondent shall appoint a qualified individual from inside the corporation to serve as an Internal Special Compliance Official ("ISCO"). The term, authorities, and responsibilities of the ISCO are described below and in the Annex of Compliance Measures.

Penalty

(4) The Respondent agrees that it shall pay in fines and in remedial compliance measures an aggregate civil penalty of twenty-five million dollars (\$25,000,000) in complete settlement of alleged civil violations pursuant to section 38 of the AECA and the ITAR, as set forth in the Proposed Charging Letter. The Respondent agrees to waive its rights to raise the defense of the Statute of Limitations with regard to the collection of the civil penalty imposed by this Consent Agreement, and that the Statute of Limitations shall be tolled until the last payment is made. The civil penalty shall be payable as follows:

- a) Fifteen million dollars (\$15,000,000) shall be paid to the Department within thirty (30) days of the date of the Order.
- b) A penalty of ten million dollars (\$10,000,000) is hereby assessed, but this amount will be suspended in accordance with the following:
 - 1) The Respondent receives credit for five million dollars (\$5,000,000) for DTCC approved remedial compliance measures self initiated by Respondent prior to the Consent Agreement, and therefore, five million dollars \$5,000,000 of the ten million dollars (\$10,000,000) is suspended.
 - 2) The remaining five million dollars (\$5,000,000) will be suspended on the condition that the Respondent applies this amount to remedial compliance measures. Respondent will

apply the remaining five million dollars (\$5,000,000) over a three year period for the purpose of defraying a portion of the costs associated with the remedial compliance measures specified in this Consent Agreement.

c) The Respondent will provide to DTCC no later than one (1) year from the date of the Order, and then annually thereafter, for verification and approval, an itemized accounting of all Consent Agreement remedial compliance costs claimed against suspended penalties referenced in paragraph 4(b)(2) above, showing the specifics of how money was used to strengthen compliance within the terms of this Consent Agreement. The Respondent shall have three (3) years from the date of the Order to claim and use any remaining portion of the five million (\$5,000,000) suspended penalty on authorized remedial compliance costs. In addition, the Respondent will include along with its annual itemized accountings, reports on additional resources spent for remedial compliance measures.

d) The newly appointed ISCO will conduct a review and prepare the itemized accountings and reports referenced in paragraph 4(c) above, certified as correct by Respondent's Chief Financial Officer (CFO) and General Counsel, for DTCC regarding the Respondent's expenditures for compliance improvements. DTCC will review the itemized accountings and determine whether the amounts claimed by the Respondent to date were spent for Consent Agreement-authorized remedial compliance costs and will confirm this in writing. To the extent that the Department determines that amounts claimed or any portion thereof were utilized for remedial compliance costs authorized by the Consent Agreement, that amount will be credited against the suspended penalty.

(5) Respondent is prohibited from applying or claiming any portion of the \$15,000,000 cash penalty set forth in paragraph (4)(a), and \$5,000,000 of the suspended penalty set forth in paragraph (4)(b)(2), as reimbursable or recoverable costs in any contract or other dealing with any agency of the U.S. Government, including any subcontract with respect to such a contract or as a Federal tax deduction. Respondent agrees that the \$15,000,000 cash and \$5,000,000 suspended penalty: (a) will be treated as expressly unallowable costs under the Federal

Acquisition Regulations; (b) will not be recovered or sought to be recovered as allowable costs, either directly or indirectly under any federal prime contract, grant or subcontract; and (c) will not be taken as a federal tax deduction. In the event Respondent violates these prohibitions, the Department will deem it a "failure to apply funds appropriately for the required purpose."

(6) Any failure to apply funds appropriately for the required purpose, or to provide a satisfactory accounting shall result in a lifting of the suspension pursuant to paragraph 4(b) above. In that case the Respondent shall be required to pay immediately to the Department the amount of the suspended portion of the penalty, less any amounts the Department deems to have been properly applied and accounted for as expenditures in compliance with this Consent Agreement.

Defense Articles

(7) The Respondent acknowledges and accepts the authority of the Department to designate what is a defense article, technical data or defense service, and that the ITAR requires written authorization before such articles and technical data are exported, reexported or retransferred, or services are provided. Respondent further acknowledges that the Commodity Jurisdiction process, set forth in § 120.4 of the ITAR, is the only official mechanism by which questions regarding jurisdiction and categorization may be resolved, regardless of whether the technical data or article is an original design or a derivative design.

Debarment

(8) The Respondent has acknowledged the seriousness of the violations cited in the Proposed Charging Letter. The Respondent has cooperated with the Department's investigation, expressed regret for these activities and taken steps to improve its compliance programs. It has also undertaken to make amends by paying a cash penalty, and implementing the significant additional remedial compliance actions specified in this Consent Agreement. For these reasons, the Department has determined not to impose an administrative debarment of Respondent based on the civil charges in the Proposed Charging Letter at this time. The Department reserves the right to impose additional sanctions, including debarment under the ITAR, against the Respondent or any subsidiary or

other affiliate, if it does not fulfill the provisions of this Consent Agreement, or is responsible for other compliance or law enforcement violations or discrepancies under the AECA, or other statutes enumerated in § 120.27 of the ITAR.

Legal Department Oversight

(9) Within thirty (30) days of the date of the Order, Respondent's General Counsel's office will provide oversight and support in all divisions for all matters involving the AECA and the ITAR. This oversight will be structured to achieve the Respondent's consistent application of the AECA and the ITAR. Additionally, the Respondent's General Counsel's office shall ensure that in each subsidiary and business unit appropriate legal support is made available as necessary to the principal personnel responsible for compliance with the AECA and the ITAR, and appropriate legal oversight is performed in each subsidiary and business unit with respect to such matters.

On-site Reviews by the Department

(10) For the purpose of assessing compliance with the provisions of the AECA, the ITAR and future munitions licenses and other authorizations, the Respondent agrees to arrange and facilitate, with minimum advance notice, on-site reviews by the Department while this Consent Agreement remains in effect.

Status of Annex of Compliance Measures

(11) The Annex of Compliance Measures shall constitute an integral part of this Consent Agreement. References to this Consent Agreement shall be deemed to refer also to the Annex of Compliance Measures.

Understandings

(12) No agreement, understanding, representation or interpretation not contained in this Consent Agreement may be used to vary or otherwise affect the terms of this Consent Agreement or the Order, when entered, and this Consent Agreement shall not 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 in the Proposed Charging Letter. The Respondent acknowledges and accepts that there is no understanding expressed or implied through this Consent Agreement with respect to a final decision by the Department concerning export licenses or other U.S. Government authorizations.

(13) The Respondent acknowledges the nature and seriousness of the offenses identified in the Proposed Charging Letter. If this Consent Agreement is not approved pursuant to an Order entered by the Assistant Secretary for Political-Military Affairs, the Department and the Respondent agree that they may not use this Consent Agreement in any administrative or judicial proceeding, and that the parties shall not be bound by the terms contained in this Consent Agreement.

(14) The Department agrees that, upon signing of the Order, this Consent Agreement resolves with respect to the Respondent the civil penalties or administrative sanctions with respect to violations of section 38 of the AECA or the ITAR arising from facts the Respondent has disclosed in writing to the Department in its voluntary disclosures dated October 10, 2006, October 20, 2006, November 15, 2006, November 30, 2006, January 15, 2007, January 31, 2007, July 30, 2007, August 2, 2007, November 7, 2007, November 29, 2007, December 11, 2007, February 28, 2008, March 5, 2008, and May 8, 2008, or that have been identified in the Proposed Charging Letter.

Waiver

(15) The Respondent waives, upon the signing of the Order, all rights to seek any further steps in this matter, including an administrative hearing pursuant to Part 128 of the ITAR. The Respondent also waives any such rights with respect to any additional penalty (with the exception of any suspension or debarment action) assessed by the Director/DTCC in connection with an alleged material violation of this Consent Agreement (limited to three million dollars (\$3,000,000)) except as follows: In the event that the Director/DTCC determines that the Respondent has materially violated this Consent Agreement and imposes such additional penalty, and the Respondent disputes such determination, the Respondent may appeal such determination to the Assistant Secretary for Political-Military Affairs, and the decision of the Assistant Secretary for

Political-Military Affairs shall be the final determination in the matter, which may not be appealed. The Respondent also waives the right to contest the validity of this Consent Agreement or the Order, including in any action that may be brought for the enforcement of any civil fine, penalty or forfeiture in connection with this Consent Agreement or the Order.

Certification

(16) Three months prior to the three (3) year anniversary of the date of the Order, the General Counsel of Respondent shall submit to the Director, DTCC a written certification that all aspects of the Consent Agreement have been implemented and that Respondent's export compliance program has been assessed, and that Respondent certifies that this export compliance program is adequate to identify, prevent, detect, correct and report violations of the AECA and the ITAR. Such certification shall specifically address compliance with paragraph (4) of this Consent Agreement. The Consent Agreement shall remain in force, including beyond the three (3) year term, until such certification is submitted and the Director, DTCC determines based on this certification and other factors that all compliance measures set forth in this Consent Agreement have been implemented, and that the Respondent's ITAR compliance program is adequate to identify, prevent, detect, correct and report violations of the AECA and the ITAR.

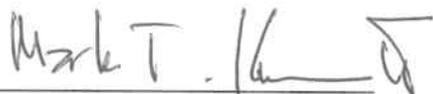
Documents to be made public

(17) The Respondent understands that the Department will make this Consent Agreement (including the Annex of Compliance Measures), the Proposed Charging Letter and the Order, when entered, available to the public.

When Order Becomes Effective

(18) 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 issued after a full administrative hearing on the record.

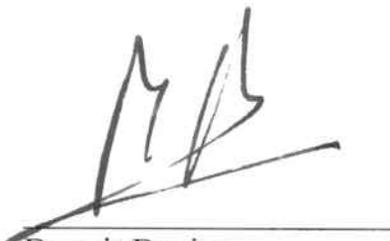
U.S. Department of State



Mark T. Kimmitt
Assistant Secretary for
Political-Military Affairs

12/19/2008

Date



Benoit Bazire
Chief Executive Officer

Qioptiq S.a.r.l.

12/12/2008

Date