

UNITED STATES DEPARTMENT OF STATE  
BUREAU OF POLITICAL-MILITARY AFFAIRS  
WASHINGTON, D.C. 20520

In the Matter of: )  
)  
SECURITY ASSISTANCE INTERNATIONAL )  
FALLS CHURCH, VA 22046 )  
)  
Respondent )  
)  
)

CONSENT AGREEMENT

This Agreement is made by and between Security Assistance International, Incorporated (SAI) and the United States Department of State (Department), pursuant to §128.11 (b) of the International Traffic in Arms Regulations (22 C.F.R. Parts 120-130) (the Regulations).

WHEREAS, THE Office of Defense Trade Controls (DTC), Bureau of Political-Military Affairs, United States Department of State has notified SAI of its intention to initiate an administrative proceeding against SAI pursuant to § 38 (e) of the Arms Export Control Act (the "Act") (22 U.S.C. § 2778 (e)) and §127.2 of the Regulations, as set forth in the proposed Charging Letter of May XX, 1999 attached hereto and incorporated by reference herein, by misrepresenting the facts of an export application by falsifying the signature of the empowered official of various companies; by failing to maintain records as required by the Regulations; by aiding, abetting, and permitting others to avoid the registration requirement of the Act and the Regulations; by failing to register as a broker in compliance with the Act and the Regulations.

WHEREAS, SAI has reviewed the proposed Charging Letter and fully understands it and this Agreement, and enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, SAI wishes to settle and dispose of all civil charges pursuant to section 38 identified in the proposed Charging Letter by entering into this Consent Agreement; and

WHEREAS, the Department and SAI agree to be bound by this Agreement and a related administrative order ("Order") (attached) to be entered by the Assistant Secretary for Political-Military Affairs;

Now, WHEREFORE, SAI and the Department agree as follows:

Parties

- (1) The Parties to this Agreement are the Department and Security Assistance International, Incorporated (SAI).

Jurisdiction

- (2) The Department has jurisdiction over SAI under the Act and the Regulations in connection with the matters identified in the proposed Charging letter.

Penalty

- (3) SAI agrees that it shall pay the Department a civil penalty of \$10,000 (ten thousand dollars) in complete settlement of alleged civil violations of the Regulations set forth in the Department's proposed Charging Letter. SAI shall pay \$4,000 (four thousand dollars) on the day of the relevant signing of the Order and \$6,000 (six thousand dollars) in annual installments of \$3,000 (three thousand dollars) over a two year period, due each year on the day of the on the anniversary of the signing of the Order.
- (4) An additional \$5,000 (five thousand dollars) will be assessed if SAI fails to make any payments on dates scheduled above.
- (5) SAI and its president, Henry Lavery III are prohibited from participating directly or indirectly in the export of any defense article or defense service for which a license or approval is required by the Regulations for a period of three to six months from the date of the Order. During that period of time, SAI will reconstruct all records for any and all export licenses and approvals by the Department. If the restoration and reconstruction of records has not been completed six months after the date of the Order, the period of ineligibility shall be extended on a monthly incremental basis until such time as the files are complete and have been reviewed. Failure to complete the activities in a 12 month period will result in establishing a new time period during which reinstatement may not take place.
- (6) SAI will submit for review by the Department, prior to reinstatement of its export privileges, a compliance manual outlining operating procedures and internal controls for adherence to the Regulations and including in its capacity as a consultant.
- (7) SAI will register as a broker in compliance with § 129.3 (a) of the Regulations

- (8) Within five days of the signing of the Order, Mr. Henry Lavery III will resign from any position he currently holds in the Defense Trade Advisory Group and cease any participation with any committee for that Group. Mr. Henry Lavery III will not, at any time during his ineligibility, seek to or serve on any organization or committee that provides export guidance on the Regulations.

Miscellaneous

- (9) SAI understands that the Department will make the proposed Charging Letter, this Consent Agreement and the relevant Order when entered, available to the public.
- (10) The Department and SAI agree that this Consent Agreement is for settlement purposes only. If this Consent Agreement is not approved, and the Order is not entered by the Assistant Secretary for Political-Military Affairs, the Department and SAI agree that they may not use this Consent Agreement in any administrative or judicial proceeding and that neither party shall be bound by the settlement terms contained in this Consent Agreement in any subsequent administrative or judicial proceeding.
- (11) 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, nor shall this Consent 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.
- (12) SAI agrees that, upon entry into force of the Order, it waves all rights to further procedural steps in the matter, including an administrative hearing pursuant to §128 of the Regulations (except with respect to any alleged violations of this Agreement).
- (13) 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 affect as a decision and Order after a full administrative hearing on the record.

U.S. DEPARTMENT OF STATE

SECURITY ASSISTANCE INT, Inc.

By: Eric D. Newson  
Eric D. Newson  
Assistant Secretary for Political  
Military Affairs  
Department of State  
Authorized Representative

(Date)

JUN - 3 1999

By: Henry Lavery III  
Henry Lavery III  
President  
Security Assistance International  
Authorized Representative

(Date)

May 26, 1999